COMPARATIVE STUDY OF CENTRAL, EAST EUROPEAN, BALTIC & TURKISH ECONOMIES WITH A VIEW TO MEMBERSHIP IN THE EUROPEAN UNION

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COMPARATIVE STUDY OF CENTRAL, EAST EUROPEAN, BALTIC AND TURKISH ECONOMIES WITH A VIEW TO FUTURE MEMBERSHIP IN THE EURPEAN UNION[*]

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Abstract

The purpose of this paper is to comparatively study the Central European Economies (CEE), Baltic and Turkish economies and to analyse the implications of enlargement of the European Union (EU) to include them. Integration will depend on these countries' ability to make their economies responsive to market forces. Recognising international trade as an effective means to instill competition in these countries, the paper studies trade policy in the CEE and Baltic countries and in Turkey and the trade agreements concluded between the countries and the EU. In particular, the Turkey-EU Customs Union Agreement (CUA) and Europe Agreements (EA) are studied and the potential for trade between EU, CEE and Baltic countries and Turkey is considered. In a discussion of these countries' chances for EU membership, we emphasize that EU has to evaluate the budgetary outlays of membership relative to potential gains which would come in terms of increased trade and political stability.

ملخص

الغرض من هذه الورقة هو اجراء دراسة مقارنة بين اقتصادات اوروبا الشرقية ودول البلطيق وتركيا وتحليل آثار توسيع الاتحاد الاوروبى ليضم فى عضويته هذه الدول. وسوف يتوقف انضمام هذه الدول على قدرة اقتصاداتها على الاستجابة لقوى السوق وتسليما بأن التجارة الدولية أداة فعالة لتعزيز المنافسة بين الدول؛ تبحث الورقة السياسة الاقتصادية فى الاتحاد الاوروبى ودول البلطيق وتركيا؛ وتحلل الاتفاقات التجارية المعقودة بين هذه الدول والاتحاد الاوروبى؛ولاسيما اتفاق الاتحاد الجمركى بين تركيا والاتحاد الاوروبى واحتمالات التجارة بين الاتحاد الاوروبى واقتصادات اوروبا الشرقية ودول البلطيق وتركيا. وفى مناقشة لفرص التحاق هذه الدول بعضوية الاتحاد الاوروبى نوضح أن على الاتحاد أن يجرى تقييما للالتزامات فى ميزانيته بالقياس الى المكاسب المحتملة التى تتحقق فى صورة زيادة للتجارة وتحقيق الاستقرار السياسى.

INTRODUCTION

During the last six years major changes have affected the future of the European Union (EU). Six years ago, the future of EU seemed set: a gradual deepening towards real and monetary union. The breakdown of communism radically shifted the challenge from deepening to widening. First to come were the EFTA'ns. Their membership applications were a logical step. Since January 1, 1995 these countries have participated in EU decision making. Then we have the potential applicants consisting of Czech Republic, Hungary, Poland and Slovak Republic, called the Central European Economies. These countries lay a solid claim to membership. All of them have signed Association Agreements with EU. But no timetable for membership has been offered. The next group of potential applicants consist of Bulgaria and Romania. These countries, which have signed Association Agreements with EU, have to embark on reforms that will render them viable candidates. The third group of countries consist of Estonia, Latvia and Lithuania, called the Baltic countries. In addition we have Slovenia of former Yugoslavia which also lays a claim to membership and the countries consisting of Belarus, Moldava and Ukraine whose potential membership is highly uncertain. Finally, we have the Mediterranean applicants consisting of Cyprus, Malta and Turkey. Besides the last three countries Hungary and Poland have handed in formal applications for membership in EU. Several of the Central and Eastern European (CEE) and Baltic countries have probably not done so only because they have been discouraged by the knowledge that their applications could not be considered for a long while.

The purpose of this paper is to study comparatively the CEE, Baltic and Turkish economies and analyse the implications of enlargement of the European Union so as to include the CEE and Baltic countries and Turkey in EU. Section 1 compares the economies in CEE and Baltic countries and in Turkey emphasising the trade policy in those countries and the trade agreements concluded between the countries and EU. Section 2 is devoted to the study of Turkey-EU Customs Union Agreement (CUA) and of Europe Agreements (EA), and section 3 to consideration of the potential for trade between EU, CEE and Baltic countries and Turkey. The final section discusses the chances for EU membership of the CEE and Baltic countries and of Turkey.

1. COMPARISON OF CENTRAL AND EAST EUROPEAN, BALTIC AND TURKISH ECONOMIES

The EU, CEE, Baltic and Turkish economies are different beings. The EU countries are developed economies. Turkey is a middle income, free market economy with a relatively large public sector. On the other hand, the CEE and Baltic economies are, since 1989, in the process of transition from centrally planned to free market economies and they face all of the difficulties of transition and adjustment.

Table 1 provides basic data on the economies under consideration. Consideration of per capita GNP figures obtained from the World Development Report 1995, reveal that among the countries considered, Romania is the poorest country followed by Bulgaria, Lithuania, Slovak Republic, Latvia, Turkey, Poland, Czech Republic, Estonia, Hungary and Slovenia. The Turkish per capita income lies between the per capita incomes of Poland and Latvia and is higher than those of the Slovak Republic, Lithuania, Bulgaria and Romania. Consideration of purchasing power parity (PPP) per capita income figures reported in Table 30 of the World Development Report 1995 reveals that the ordering is changed. The poorest country is again Romania. But Romania is followed by Lithuania, Turkey, Bulgaria, Poland, Latvia, Hungary, Slovak Republic, Estonia and Czech Republic. No figures are reported for Slovenia. Thus according to PPP per capita incomes the richest country within the group is Czech Republic, and Turkish per capita income lies between the per capita incomes of Lithuania and Bulgaria. Turkish PPP per capita income is higher than those of Lithuania and Romania. Consideration of foreign trade data shows that 1993 exports (imports) of CEE-4 countries amounts to $ 41.26 (51.26) billion, exports of CEE-6 countries to $ 50.23 (61.91) billion, and of Turkey to $ 18.11 (23.27) billion. Consideration of the structure of production reveals that by 1993 agriculture accounted for 22.6 (20.9) percent of GDP in Lithuania (Romania). The share of agriculture in Turkish GDP is 15.4 percent. The share of agriculture is 15.7 percent in Latvia, 12.8 percent in Bulgaria and 11.1 percent in Estonia. In all of the remaining countries excluding Greece the share of agriculture is less than 7.7 percent. During the period since the implementation of market oriented economic reforms, output in the region has declined sharply. Recently output started to stabilise. During 1993 output increased in Poland and Slovenia, and during 1994 output increased in all of the transition economies. In all countries under consideration inflation in 1994 did not exceed two digit figures except in Turkey where inflation measured by CPI has amounted to 106.3 percent. According to "World Economic Outlook May 1995" of IMF inflation during 1994 is running at the annual rate of 10 percent in Czech Republic, 19 percent in Hungary and 32 percent in Poland. By 1995 all countries under investigation are under stand-by agreements with the International Monetary Fund. Finally it should be noted that the population growth rate in all the countries under consideration is relatively low except in Turkey.

During the last five years all of the CEE and Baltic countries have made substantial progress in structural reform. In particular, prices in these countries are now largely market determined. Privatization has proceeded rapidly in all of the countries except Romania, Bulgaria and Slovenia. In the Czech Republic the share of the private sector in GDP has increased from 3 percent in 1989 to 65 percent in 1994. On the other hand, the share in Bulgaria has increased from 3 percent in 1989 to 40 percent in 1994. By 1994, in most of the countries more than half of GDP was generated in the private sector. In comparison, one should note that the share of State Owned Enterprises in total value added in the Turkish economy has amounted, according to "OECD Economic Surveys: Turkey 1992-1993", to 10.6 percent in 1990. The countries in transition still have to achieve macroeconomic stability, reduce economic distortions and free resources for productive activity. These countries will then be able to achieve sustainable economic growth. In the meantime the policy makers have to make the economy responsive to market forces. To this end, the countries have to foster competition. It is recognized that international trade would be the most effective means to instill competition in the economy.

Table 2 shows the territorial composition of trade of the CEE and Baltic countries and of Turkey during the years 1988 and 1994. From the table we note the following aspects:

- The European Union has increased its share of foreign trade enormously for all of the CEE countries and Turkey during the period 1988-1994. The share of EU-15 in Czech exports (imports) has increased from 29.84 (33.3) percent in 1988 for Czechoslovakia to 59.39 (63.99) percent in 1994 for Czech Republic and to 47.84 (43.14) percent for Slovak Republic. In the case of Poland the share of EU has increased from 35.85 (33.89) percent in 1988 to 69.21 (65.31) percent in 1994. In the case of Turkey, EU accounted for 45.66 (42.88) percent of Turkish exports (imports) during 1988. The share has increased to 47.69 (46.91) percent in 1994.
- The main trading partner of the CEE countries in EU is Germany. The German share in Czech exports (imports) has increased from 15.11 (17.7) percent in 1988 to 34.74 (35.09) percent in 1994. In the case of Poland, the share of exports to (imports from) Germany has increased from 12.89 (13) percent in 1988 to 35.67 (27.47) percent in 1994. In the case of Bulgaria, Germany has increased its share in Bulgarian exports from 5.63 percent in 1988 to 14.03 percent in 1994. Germany has decreased its share in Bulgarian imports from 16.75 percent in 1988 to 14.24 percent in 1994. In the case of Turkey, Germany has increased its share in Turkish exports (imports) from 18.28 (14.3) percent in 1988 to 21.73 (15.67) percent in 1994. The main trading partners of CEE and Baltic countries among the new EU members are Austria and Finland. The share of Austria in Hungarian exports (imports) has increased from 5.7 (7.2) percent in 1988 to 9.9 (10.51) percent in 1994.
- Trade among the CEE countries has decreased during the period. The share of exports to (imports from) CEE countries has decreased in the case of Hungary from 11.7 (12.3) percent in 1988 to 7.04 (6.03) percent in 1994, and in the case of Poland from 11.6 (12) percent in 1988 to 5.27 (4.39) percent in 1994.
- Trade between CEE countries and the former Soviet Union has decreased substantially over the period 1988-1994. The share of former Soviet Union in Polish exports has decreased from 24.3 (28.2) percent in 1988 to 8.27 (9.32) percent in 1994.
- With regards to Turkey, the most important trading partner is, as in the case of CEE countries, the European Union. During 1994, the EU accounted for 47.69 percent of all exports and 46.91 percent of all imports. Again, as in the case of CEE countries, Germany is the most important trading partner within the EU. During 1994, Turkish exports accounted for 2.12 percent of Romanian and 1.8 percent of Bulgarian imports. In the case of Romania, Turkish share in Romanian exports was 4.09 percent and in the case of Bulgaria 3.67 percent.

Using the 2-digit SITC foreign trade data supplied by the Statistical Office of the European Communities we obtain Table 3 where we have aggregated the commodities into 16 commodity groups. From the table the following results can be derived:

- For Turkey, CEE and Baltic countries, an important export item to the EU is "Textiles and clothing". During 1994 the share of the commodity amounted to 49.83 percent in Turkey, 33.46 percent in Romania, 18.24 percent in Bulgaria, 17.97 percent in Slovenia and 17.91 percent in Slovak Republic.

- The share of "machinery and transport equipment" exports in total exports to EU has amounted to 28.79 percent in Hungary, 25.62 percent in Czech Republic and 20.98 percent in Slovak Republic.
- The share of "food" exports in total exports to EU has amounted to 17.45 percent in Turkey, 12.71 percent in Hungary and 8.52 percent in Poland.
- The share of "iron and steel" exports in total exports to EU has amounted to 19.63 percent in Bulgaria, 15.88 percent in Slovak Republic and 12.07 percent in Poland.
- For Turkey, the most important export item is "textiles and clothing" accounting for 49.83 percent of exports to EU during 1994. Other items of importance are "food" and "machinery and transport equipment", respectively accounting for 17.45 and 9.9 percent of all exports to EU during 1994. In "textiles and clothing" and "machinery and transport equipment" Turkey faces considerable competition from the countries in transition

The lower part of Table 3 shows the commodity composition of imports from EU. The figures show that, besides "machinery and transport equipment" and "chemicals and rubber products" imports, an important import item of the countries under consideration is "textiles and clothing". The share of "textiles and clothing" in total imports from EU amounts to 21.35 percent in the case of Romania, 12.92 percent in the case of Poland and 12.29 percent in the case of Slovenia. "Food" accounts for 21.46 percent of Estonian, 14.43 percent of Latvian and 10.26 percent of Lithuanian imports from EU. In the case of Turkey the most important import items from EU are "machinery and transport equipment" and "chemicals and rubber products".

Table 4 shows index numbers for similarity of Turkish exports and imports with those of the countries in transition. Denoting by X_i^j the j-th country's export of commodity i, X^j total exports of country j, M_i^j j-th country's import of commodity i, M^j total imports of country j, $x_i^j = (X_i^j / X^j)$ share of commodity i in country j's total exports, $m_i^j = (M_i^j / M^j)$ share of commodity i in country j's total imports, $x^j = (x_1^j, .., x_n^j)$ country j's export share vector, and by $m^j = (m_1^j, .., m_n^j)$ country j's import share vector we compare the trade vector x with the trade vector m by using the formula for the cosine between two vectors

$$\alpha = \frac{\sum x_i^j m_i^j}{\sqrt{\sum x_i^2 \sum m_i^2}}$$

As long as the two vectors are exactly the same, the coefficient of conformity will equal unity. Conversely, if for each commodity exported the import of commodity equals zero, and for each commodity imported the export of commodity equals zero, then the vectors are said to be orthogonal and the value of the coefficient of conformity equals zero. Table 4 derived using the 2-digit SITC trade data on trade with the European Union shows that:

- Turkish exports to EU are similar to the exports of Romania, Poland, Bulgaria and Hungary to EU. The resemblance between Turkish exports to EU, on the one hand, and Baltic countries exports to EU, on the other, is relatively low.

- Turkish exports to EU are not similar to the imports of CEE countries from EU.
- Turkish imports from EU are similar to the exports of Czech Republic to EU. The resemblance between Turkish imports from EU and exports of Latvia, Romania and Lithuania is relatively small.
- Turkish imports from EU are similar to the imports of CEE and Baltic countries imports from EU.

To analyse sectors in which countries have comparative advantage, we consider the index values of revealed comparative advantage (RCA) calculated as:

$$RCA_i = \ln(\frac{(X_i / X)}{(X_i^{eu} / X^{eu})})$$

where X_i denotes export of commodity i by the country considered, X total exports of the country considered, X_i^{eu} total imports of commodity i by EU excluding the exports of commodity i of the country under consideration and X^{eu} total imports of EU excluding the total exports of the country considered. The equation considers the share of commodity i in total exports of the country relative to the share of the commodity i by the rest of the world excluding the country under consideration to total world exports excluding again the exports of the country considered. In general, if this ratio is greater than one, then the natural logarithm of the variable will be positive. In that case the country is said to have comparative advantage in producing that product relative to the rest of the world. Using the index of revealed comparative advantage, it is possible to determine in which product categories each of the CEE and Baltic countries and Turkey have the greatest comparative advantage. Table 5a shows the thirteen 2-digit SITC divisions (see the Appendix for a description of the 2-digit SITC divisions) with highest RCA values in 1994. As such these can be considered as the sectors with comparative advantage. The table reveals the following aspects:

- Czech Republic has comparative advantage in the production of "sanitary, plumbing and heating" (SITC 81), "coal" (SITC 32) and "cork and wood" (SITC 24).
- Hungary has comparative advantage in the production of "live animals chiefly for food" (SITC 00), "meat and meat preparations" (SITC 01) and "footwear" (SITC 85).
- Poland has comparative advantage in "coal" (SITC 32), "furniture" (SITC 82) and "cork and wood manufactures" (SITC 63).
- Bulgaria has comparative advantage in "manufactured fertilisers" (SITC 56), "non-ferrous metals" (SITC 68) and "footwear" (SITC 85).
- Romania has comparative advantage in "footwear" (SITC 85), "furniture" (SITC 82) and "clothing" (SITC 84).
- Turkey has comparative advantage in "clothing" (SITC 84), "vegetables and fruit" (SITC 5) and "textiles" (SITC 65).
- Comparison of the sectors in which CEE countries have comparative advantage with those in which Turkey has comparative advantage reveals that Czech Republic and Turkey have comparative advantage in the production of the commodities "sanitary, plumbing and heating"

(SITC 81), "non-metallic mineral manufactures" (SITC 66) and "manufactured fertilisers" (SITC 56); that Hungary and Turkey have comparative advantage in "clothing" (SITC 84) and "sanitary, plumbing and heating" (SITC 81); that Poland and Turkey have comparative advantage in "manufactured fertilisers" (SITC 56), "clothing" (SITC 84) and "crude fertilisers" (SITC 27); that Bulgaria and Turkey have comparative advantage in "manufactured fertilisers" (SITC 56), "travel goods" (SITC 83), and "inorganic chemicals"; and that Romania and Turkey have comparative advantage in the production of "clothing" (SITC 84), "manufactured fertilisers" (SITC 56), and "non-metallic mineral manufactures" (SITC 66).

Table 5b, on the other hand, shows the winning sectors in each of the countries under consideration. The table is based on the ordering achieved from the ratio of the share of the commodity in country's total exports in 1994 to the share of the commodity in exports in 1989. As such the numbers indicate by how much the shares have increased over the years. From the table it follows that the winning sectors for Turkey are "coal" (SITC 32) and "paper" (SITC 64), for Hungary "power generating machinery" (SITC 71) and ""office machines" (SITC 75), and for Bulgaria "non-ferrous metals" (SITC 68) and "other transport equipment" (SITC 79).

Table 5 shows that Turkey will face increased competition from the CEE and Baltic countries in the export of these products to EU.

Table 6 shows the trade relations between CEE and Baltic countries, on the one hand, and Turkey on the other, over the period 1985-1994. The table reveals that Turkish exports to CEE and Baltic countries have increased from $ 107.2 million in 1985 to $ 723 million in 1994. But trade is still minuscule. By 1994, the share of exports to CEE and Baltic countries in total Turkish exports was only 4 percent. Similarly, Turkish imports from CEE countries have increased from $ 304.2 million in 1985 to $ 715.7 million in 1994. As a result of this increase, the share of imports from CEE countries in total Turkish imports has increased from 2.7 percent in 1985 to 3.1 percent in 1994. Table 7 gives the commodity composition of trade between CEE countries and Turkey during 1994. From the table the following results emerge:

- The main export items from Turkey to Poland are "textiles and clothing", "hides and leather" and "chemicals and rubber products". These commodities account for 91.84 percent of all exports to Poland. On the other hand, the main import items are "machinery and transport equipment", "energy" and "textiles and clothing". These commodities account for 69.71 percent of all imports from Poland.
- The main export items from Turkey to Romania are "food", "machinery and transport equipment" and "chemicals and rubber products". These commodities account for 75.02 percent of total Turkish exports to Romania. On the other hand, the main import items are "chemicals and rubber products", "energy" and "food". These commodities account for 37.51 percent of all imports from Romania.
- The main export items from Turkey to Czech Republic are "textiles and clothing", "food" and "hides and leather". These commodities account for 69.4 percent of total Turkish exports to Czech Republic. On the other hand, the main import items from Czech Republic are

"machinery and transport equipment", "chemicals and rubber products" and "iron and steel and non-ferrous metals". These three commodities account for 85.74 percent of all imports from Czech Republic.

2. TURKEY-EU CUSTOMS UNION AGREEMENT AND THE EUROPE AGREEMENTS

The integration of a particular set of countries into the international trading system depends on the ability of these countries to expand trade links with other countries. In this context the link with OECD countries is of prime importance. OECD countries can offer the countries under consideration increased access to their markets, and vice versa. These actions usually take the form of granting Most-Favoured-Nation (MFN) status, extending GSP, removing quantitative restrictions, increasing quota levels, and concluding trade agreements. The Turkey-EU Customs Union Agreement (CUA) and the Europe Agreements (EA) represent major contributions to the integration process of CEE and Turkish economies within Europe. The implications of the Agreements are far reaching, going beyond trade related aspects. Their objective is the progressive adaptation of the legal framework in the CEE countries and Turkey to EC legislation. In the following we first consider the CUA and then the EAs.

2.1 Turkey-EU Customs Union

Turkey's application to join the European Economic Community (EEC) was made on July 31, 1959. Following difficult and protracted negotiations, the application ultimately resulted in the signing in Ankara on September 12, 1963 of the Association Treaty. The stated objective of the Agreement was to promote the continuous and balanced strengthening of trade and economic relations between the parties, while taking full account of the need to ensure accelerated development of the Turkish economy and the need to improve the level of employment and living conditions of the Turkish people. According to the Ankara Treaty, the association was to be implemented in three phases: a preparatory phase, a transition phase and a final phase. During the preparatory period, the EEC granted unilateral concessions to Turkey in the form of financial assistance and preferential tariffs on Turkey's traditional exports. In the meantime, Turkey didn't have to change its trade regime. On May 16, 1967 in Brussels, Turkey lodged its application for negotiations on entering the transition phase. The Additional Protocol to the Ankara Treaty was signed on November 23, 1970, and became effective on January 1, 1973. The basic aim of the Additional Protocol was the eventual establishment of a customs union. Following the stipulations of the Customs Union Agreement with the European Union, concluded on March 6, 1995, the customs union and hence the final phase of the association process became effective after ratification by the European Parliament on January 1, 1996.

According to the stipulations of the CUA, as of January 1, 1996, goods are circulating freely between the parties. Furthermore, as of January 1, 1996, Turkey has implemented the Community's common external tariff on goods from third parties and it will adopt by the year 2001 all of the preferential trade agreements EU has concluded over time. Table 8 provides estimates of nominal protection rates for the year 1994 as well as for the year 2001, where 1994 refers to the year before the formation of the Customs Union (CU) and the year 2001 to the year when all the adjustments required by the CU have been completed. From the table it follows that, when weighted by the sectoral import values, the economy wide nominal protection rate (NPR) in 1994 for trade with EU and with third countries amounted to 10.22 percent and 22.14 percent respectively. Examination of the characteristics of structure of protection in trade with EU during 1994 reveals that the highest Turkish NPRs in trade with EU were in the sectors of "fruits and vegetables" with the input-output (I-O) code 12 (72.49 percent), "alcoholic beverages" with the I-O code 17 (72.1 percent) and "non-alcoholic beverages" with the I-O code 18 (56.92 percent). In the case of trade with third countries we note that during 1994 the highest NPRs were in the sectors "processed tobacco" with the I-O code 19 (99.91 percent), "alcoholic beverages" with the I-O code 17 (94.28 percent) and "fruits and vegetables" with the I-O code 12 (72.62 percent).

According to the stipulations of the Additional Protocol to the Ankara Treaty signed on November 23, 1970 Turkish imports from the Community were divided into two lists. Those industrial products in which it was thought that Turkey could achieve international competitiveness relatively early were placed on the 12-year list. Other manufactured products were put on a 22-year list, for which a CU would not be achieved until 1995. With the formation of CU with EU, Turkey has reduced the NPRs for all of the commodities belonging to the 12-year and 22-year lists to zero. Besides these commodities there are basically two other types of commodities: (i) agricultural products and (ii) products within the province of the "European Coal and Steel Community" (ECSC). In order to establish freedom of movement of agricultural products, Turkey according to CUA will have to adjust its policy in such a way as to adopt the common agricultural policy (CAP). But as will be explained in more detail it is most unlikely that the freedom of movement of agricultural products will be achieved in the near future. Therefore, we expect the NPR's on agricultural products to remain unchanged over the next few years. On the other hand, a "Free Trade Agreement" (FTA) was signed in December 1995 between Turkey and EU regarding the ECSC products. The agreement envisions gradual liberalisation of trade in ECSC products over a period of three years. Therefore, by the year 2001, the NPRs for products in the 12 and 22-year lists and for ECSC products will be zero in trade with EU. The results of these calculations are reported in column 2 of Table 8. From the table it follows that in 38 industries the NPRs will be zero. After the formation of the customs union the average nominal protection rate in trade with EU will be reduced to 1.34 percent. Furthermore we note that the highest NPR in trade with EU will be granted to the sectors "fruits and vegetables" with the input-output (I-O) code 12 (68.01 percent), "fishery" with the I-O code 4 (47.84 percent) and "agriculture" with the I-O code 1 (41.26 percent).

In the case of trade with third parties a distinction has to be introduced for trade with EFTA countries, the Mediterranean countries, the Central and East European (CEE) countries, the Baltic countries, developing countries having GSP treatment and the Lomé Convention countries. With each of these country groups EU has concluded preferential trade agreements. After the formation of the CU, Turkey will have to apply, at the latest by 2001, the Community's CCT and accept all of the preferential agreements concluded by EU over time. This being so, Turkey will be faced in five years time with different sets of tariff rates for different groups of countries. In the year 2001, the nominal tariff rates applied by Turkey on imports from EFTA countries, Central and East European (CEE) countries, Baltic countries and Israel (which have free trade agreements with EU) will be identical to those applied on imports from EU. Thus the NPRs given in column 2 of Table 8 will have to apply to about 53.77 percent of imports, which is the average share of Turkish imports from EU, EFTA, CEE and Baltic countries and Israel in total imports during the 1991-1993 period. For these countries the average tariff rates will decrease from 22.14 percent to 1.34 percent. On the other hand, the share of developing countries having GSP treatment in Turkish imports is around 27.54 percent. Finally, the share in Turkish imports of countries like USA, Japan and Canada, for which EU applies the Common Customs Tariff, is 18.46 percent. Columns 4 of Table 8 shows the average MFN tariff rates obtained under the assumption that Turkey does not change the NPRs on agricultural commodities. Similarly column 5 of Table 8 shows, under the same assumptions, the average tariff rates for GSP beneficiaries. Thus, we assume that the tariff rates Turkey will apply by 2001 will be as shown in columns 2, 4 and 5 of Table 8. Note that average NPR for EU countries and for countries EU has free trade agreements with will be 1.34 percent, for countries like USA, Japan and Canada 6.92 percent and for GSP beneficiaries 2.71.

The above considerations reveal that as a result of the formation of CU all countries will benefit from the reduction in nominal protection rates in Turkey. Table 9 shows the average share of imports from different country groups in total Turkish imports as well as the corresponding Turkish NPRs applicable on imports from these country groups before and after formation of the customs union with EU. Thus for products exported from EU to Turkey, forming 46.02 percent of Turkish imports, the Turkish NPRs will go down from 10.22 percent to 1.34 percent. For products imported from Mediterranean countries and forming 1.6 percent of Turkish imports, the Turkish NPRs could go down from 22.14 percent to 2.71 percent as GSP beneficiaries and further to 1.34 percent once these countries form a free trade area with EU. Regarding market access for Turkish exports in EU, we note that EU had abolished the nominal tariff rates on imports of industrial goods from Turkey on September 1, 1971. However, certain exceptions were made. The Community retained the right to charge import duties on some oil products over a fixed quota, and to implement a phased reduction of duties on imports of particular textile products from Turkey. On the other hand, trade in products within the province of the ECSC have been protected by the Community through application of non-tariff barriers and anti-dumping measures. After the year 2001 the NPRs applied by EU on imports of all industrial goods from Turkey, including textile and steel products, will be reduced to zero so long as Turkey fulfills all of the obligations stated in the CUA. For this to happen, Turkey has to effectively implement the measures regarding "intellectual, industrial and commercial property rights" and "competition policy" including measures regarding "public aid". Furthermore, Turkey had to adopt EU garments and textile agreements with third countries. As emphasised above the market access conditions of the Agreement do not cover agricultural commodities. Finally, one should note that in the event of non-fulfilment of obligations by Turkey by the year 2001, the country will still be faced with anti-dumping and countervailing duty measures. In this case, by 2001 market access restrictions will extend from agricultural commodities to sensitive products such as textiles, clothing, iron and steel products.

The CUA offers rapid liberalisation of trade. But there are loopholes in the liberalisation provided through countervailing duties, antidumping procedures and safeguard measures which are mentioned in Articles 36, 42, 61 of the CUA. Article 36 specifies that as long as a particular practice is incompatible with the competition rules of the CU, as specified in Articles 30-32 of the CUA, and "in the absence of such rules if such practice causes or threatens to cause serious prejudice to the interest of the other Party or material injury to its domestic industry", the Community or Turkey may take appropriate measures. Article 42 allows anti-dumping actions as long as Turkey fails to implement effectively the competition rules of the CU and other relevant parts of the acquis communautaire. In those cases Article 47 of the Additional Protocol signed in 1970 between Turkey and the EC will remain in force. Finally Article 61 is about safeguards which offer another loophole in the liberalisation. The Article states that safeguard measures as specified in Article 60 of the Additional Protocol will remain valid. According to Article 60, the Community (Turkey) may take necessary protective measures if serious disturbances occur in a sector of the economy of the Community (Turkey) that prejudice the external financial stability of one or more Member States (Turkey) , or if difficulties arise which adversely affect the economic situation in a region of the Community (Turkey).

2.2 Europe Agreements

During the 1990's the CEE and Baltic countries introduced sweeping reforms which changed the nature of their trade system and set the stage for strengthened integration into the world economy. The packages comprised three elements. First, the system of compulsory import and export licenses of the period before 1990's was abolished and with it the state monopoly of foreign trade. Second, current account convertibility of the currencies was introduced. Finally, nearly all quantitative restrictions on exports and imports were lifted. As a result the customs tariff has become the primary instrument of foreign trade policy. There were frequent tariff adjustments during the period. Table 10 summarises the developments in the trade regimes of the countries in transition.

Right after the political upheaval in CEE countries in the late 1980s, the CEE countries looked towards the EC for support. Support came in the form of Trade and Co-operation Agreements signed during 1988-1990. Negotiations for the Association Agreements called the "Europe Agreements" (EA) between the European Union, on the one hand, and CSFR, Hungary and Poland on the other, started in December 1990 and were signed on December 16, 1991. The Interim Agreements which cover the trade aspects of the Europe Agreements entered into force on March 1, 1992. Similar Agreements with Romania and Bulgaria have been signed during 1993 and the Interim Agreement with Romania became effective starting May 1, 1993 and in the case of Bulgaria starting February 1, 1994. In the meantime, all of the Agreements have been ratified by national parliaments and the European Parliament. Lately negotiations for Europe Agreements with Baltic countries were concluded and Agreements are to be signed. Negotiations for an association agreement with Slovenia are nearing completion.

For the CEE and Baltic countries association is a tangible means of coming back into Europe. The Agreements have been concluded for an unspecified period. They include, besides the aspects related to commercial and economic co-operation, the political dialogue dimension as well as a cultural co-operation section. The Agreements aim at the establishment of a free trade area. They form part of the goal of integrating these three countries into the Community. In the preamble to the agreements, the parties recognise that the ultimate objective of the associated countries is to become members of the Community and association is designed to help them achieve this. The preamble introduces a sort of conditionality for the Agreements by reaffirming commitments to pluralistic democracy based on the rule of law and to the market economy.

All EAs have a similar structure and contain between 122 and 124 Articles. Articles 1-6 deal with political dialogue and general principles. Articles 7-36 refer to movement of goods, and Articles 37-58 to movements of workers, establishment and supply of services. Articles 59-69 cover issues related with movements of capital, competition and approximation of laws. Articles 70-103 refer to economic, cultural and financial co-operation. Articles 104-124 contain institutional, general and final provisions. Each EA is accompanied by a set of Annexes and Protocols.

According to the stipulations of the Interim Agreements the free trade area is to be established at the end of a transitional period of a maximum duration of ten years divided into two successive stages of five years each, starting from the entry into force of the agreement (March 1992). Thus by March 2002, the countries consisting of Czech Republic, Hungary, Poland, Slovak Republic and the EU Member States will form a free trade area. On the Community side, the Association Agreements consolidate all the previous unilateral trade concessions, while laying the ground for the complete removal of all trade obstacles by the end of transitional period. The trade provisions involve the immediate removal of all quotas on industrial commodities except for textiles and ESCS products, while import tariffs will be progressively eliminated over a period ranging between 2 and 5 years. The CEE countries will reciprocate more slowly by phasing out tariffs and quotas over 4 to 9 years. To qualify for concessions under the EA, products must originate in CEE countries. The EAs recognise mineral and agricultural products exported from the CEE countries as commodities originating in CEE countries. For all other commodities the condition for origin requires that imported materials from outside CEE countries not exceed 40 percent or 50 percent of the value of the output. Rephrased this is a 60 percent local content requirement, which is rather strict. Finally it should be stressed that the provisions of EAs provide for a cumulation of origin among the CEE countries which allows a product exported from one associate CEE country to another associate CEE country and which has undergone no, or only a limited working or processing in the importing CEE country to be considered as originating in the importing CEE country.

The critical issue considered in the Agreements is access to EC markets that is granted to countries in transition. For most products defined in the international trade classifications, the Agreements offer access to the EU markets free of tariffs and quantitative restrictions (QR) within one year. The process of trade liberalisation excludes agricultural products. In the case of agricultural products the Agreements affect five main product groups: meat, live animals, fruit, vegetables and processed agricultural commodities. Trade in grain is not covered by the Agreements. Agricultural exports from CEE countries will be permitted to increase by 10 percent in each of the next five years. Variable levies will decrease by 30-60 percent over a three year period. Quantities exported by CEE countries above the quota limits will be subject to full tariffs and levies.

Kaminski (1994) considers the industrial commodities covered by the EAs. He states that these commodities account for more than three quarters of EC imports from the CEE countries. Only Bulgaria and Hungary, with strong specialisation in agricultural products, have relatively low shares as shown in Table 11. The table shows the average tariff rates applied by EU on industrial imports from CEE countries during the pre-Agreement period. Thus, the average tariff rate was 0.1 percent for Poland ,a GSP beneficiary country, and 6.9 percent for Bulgaria, a country that did not have GSP status. But besides tariffs the CEE countries faced non-tariff barriers (NTB), which had become the major instrument of protection in EU. The level of vulnerability to NTBs, as measured by the share of imports subject to NTBs, has varied among the CEE countries. It is highest in the case of Romania and lowest in the case of Bulgaria. Kaminski (1994) divides the industrial commodities into six groups: immediate free trade group, textiles and clothing group, ECSC group, the quota/five year delayed group, the one-year delayed free trade group, and the four-year delayed free trade group. The "quota/five year delayed" group, including organic and inorganic chemicals, some leather products, cork and wood products, glass, electric machinery, optical goods, plastics, footwear, furniture, motor vehicles and toys is quite large in terms of CEE imports into the EC accounting for between one fourth and one third of their industrial imports. The trade liberalising measures for this group are a mixture of cuts in custom duties and increases in tariff quotas and ceilings. Custom duties are suspended within the limits of tariff quotas which will be increased annually by about 20 percent. Custom duties on imports in excess of quotas are to be reduced progressively to zero by the end of the fifth year. By 1997, there will be no longer any quotas and no tariffs. For products within the province of the "European Coal and Steel Community" (ECSC) specific provisions will apply. In particular customs duties on imports applicable in the EC on steel products will be completely eliminated by the beginning of the fifth year. Quantitative restrictions on iron and steel products were eliminated with the entry into force of the Interim Agreements. In the case of coal products, the time required for liberalisation of trade is four years. The Community will abolish quantitative restrictions in one year. Certain product imports will be liberalised by Spain and Germany within four years. Kaminski (1994) estimates that in the case of "steel ECSC sub-group" the MFN tariffs are in the range of 5.4-5.6 percent, and the GSP tariffs 0.1-0.0 percent. The NTB coverage ratios vary between 57.4 and 74.6 percent. The share of this group in industrial exports was 11.4 percent in the case of Bulgaria and 3.6 percent in the case of Romania. On the other hand, import duties on textile and clothing by the EC will be abolished over five years and those on outward processing trade immediately. Quantitative restrictions will be removed in not less than five years. Finally one should note that in accordance with the asymmetry principle custom duties on most industrial products originating in the EC are to be progressively reduced to zero. The time schedule for Poland is five and for Czech Republic, Hungary and Slovak Republic nine years.

The above considerations reveal that by the end of the century the NTB coverage ratios, the average tariff rates and their standard deviation will be reduced to zero for all groups of industrial imports from CEE countries to EU. Similarly, in the case of EU industrial imports to CEE countries, the NTB coverage ratios, the average tariff rates and their standard deviation will be reduced to zero by the year 2002. Thus, the EAs offer rapid liberalisation of trade. But there are, as in the case of CUA, loopholes in the liberalisation provided through antidumping procedures, countervailing duties and safeguard measures which are mentioned in Articles 29-31, 33 and 62-

64 of the EAs. Article 29 allows anti-dumping actions. It is well known that EU antidumping practices are biased against exporters. The Agreements specify that antidumping actions must accord with Article VI of the GATT, but most EU practice is GATT-consistent. Hence there is little comfort for CEE producers. However, the EU has made a major concession in this field. Immediately after the signing of the European Agreements, the EC committed itself to treating the CEE countries as "market" rather than "non-market" economies. This is of prime importance for CEE countries as the manner in which anti-dumping investigations are carried out depend on the type of country. The "state trading country" arrangements which the Community applied with respect to dumping were replaced on March 1, 1992 by the normal GATT arrangements. Countervailing duties are dealt with in Article 62.3 of EA with Hungary. According to Articles 62-63 countervailing duties could be undertaken if they are GATT-consistent. Safeguards offer another loophole in the liberalisation. The general safeguard clause contained in the Agreements ties in perfectly with GATT rules. The Community has allowed the CEE countries to protect their incipient industries during the transition period. Another derogation enables them to deal with balance of payments difficulties. From the point of view of EU, the Agreement allows for unspecified safeguard measures. Following Article 30 safeguard measures are permitted if imports from CEE countries cause either "serious injury to domestic producers of like or directly competitive products" or "serious disturbances ... or difficulties which could bring about serious deterioration in the economic situation of a region". Article 21 is a special safeguard provision for agricultural goods allowing discretionary contingent protection when imports originating in one party cause serious disturbance to the markets in the other party. Following the bilateral consultation procedures provided for in the agreements in the context of the Association Council for antidumping and safeguard measures, greater importance is attached to consultations and conciliation than to unilateral action.

Regarding the movement of workers, establishment and services, the Agreements do not guarantee any access to workers from CEE countries to the Community's labour market beyond what is guaranteed bilateraly by the member states. They guarantee CEE countries workers non-discrimination and certain rights in the EC so long as they are 'legally employed'. In general the parties agree to give the other's enterprises the same treatment as its own companies or nationals. Freedom of establishment is, however, limited by restriction on the Community side placed on the free movement of labour e.g. a Hungarian firm can be established in the Community but must employ, with only few exceptions, staff recruited within the Community.

2.3 Effects of Turkey-EU Customs Union and of Europe Agreements

Turkey by signing the Customs Union Agreement and the CEE countries by signing the EAs have agreed to fulfil Herculean tasks. These tasks include harmonisation of commercial legislation as regards competition policy, state aids, intellectual and industrial property rights, and adoption of new rules on customs classification, valuation, rules of origin, technical regulations, standards and government procurements. Since the new rules and regulations are expected to effect the functioning of markets in the relevant countries this section will concentrate on determining what these rules and regulations entail for the countries considered.

We first consider the case of competition policies within the framework of the Turkish economy. Turkey during the 1980s and 1990s has intensively used three different tools of industrial policy. These tools are the investment incentives, the export incentives and the policy regarding state owned enterprises. In each case the government tried to obtain a preferred allocation of resources through the use of subsidies. But subsidies are no longer compatible with the rules of the Turkey-EU CUA. Articles 30-41 of the CUA require that Turkey adopt the EU competition rules, including measures regarding public aid within two years, that its legislation in the field of competition rules is made comparable with that of the Community and that the legislation is applied effectively. Consideration of the system of production incentives in Turkey reveals that the government, in order to promote investment in activities and areas regarded as desirable, has granted a number of incentives since 1967. The incentives, regulated by laws and decrees, have been directed to reducing the cost of investment, reducing the need for external financing, and increasing profitability. The various types of investment incentives used until lately can be summarised under the following headings: customs exemptions; low interest credit for investment; exemption on taxes, fees and duties; premium from Resource Utilisation Support Fund; postponement of the value added tax and exemption from construction fee; allocation of foreign exchange for investment purposes; investment incentive allowance; support from Investment Finance Fund; real estate tax exemption; accelerated depreciation and re-evaluation; incentive premium; land allocation; incentive for additional employment; and special incentives for scientific R&D. The Turkish government through the use of these measures has been able to increase the profitability of investments. According to Commission of the European Communities (1989) the investment incentives in Turkey can lead to very high aid levels. It has been estimated that the aid level may go up to 77 percent of the investment cost of a project in developed regions and to more in regions enjoying priority in development. On the export side the various types of export incentives provided by the government during the 1980's and 1990's can be summarised under the headings: export tax rebates; foreign exchange allocations; payments from the "Support and Price Stabilisation Fund"; duty free imports of intermediates; exemption from corporate income tax; payments from "Resource Utilisation Support Fund"; rebates on freight charges; exemption from various taxes; fuel oil and electricity subsidy; and deduction system. Through the use of these measures the government has been able to increase the profitability in export activities. Togan (1994) shows that average economy wide export subsidy rate has decreased from 32 percent in 1983 to 13 percent in 1990. Finally, regarding the policy on state owned enterprises in Turkey, we note that the Turkish public enterprise sector is very large. The state had, for a long time, monopolies on tobacco, war weapons, railways, air-transportation, air and sea-port administration, post and telecommunication and sugar production. In the manufacturing sector, the state-owned enterprises were heavily concentrated on basic metals, chemicals, petrochemicals, fertilisers, newsprint, paper, oil refineries, cement and textile production. The state-owned enterprises have shown, in general, poor economic performance due to the soft-budget constraint they faced. These firms are not submitted to a commercial code and as such they escape bankruptcy laws. The state economic enterprises receive subsidies from the government in the form of direct transfers, equity injections and debt consolidation. There are also barriers to exit in Turkey. Public firms are often not allowed to go bankrupt.

The purpose of investment incentive schemes in Turkey was to encourage investment. The aim was not to increase competition in the country. The credit incentives, which were supposed to promote entry, have often turned into instruments that reinforced the position of large incumbents. Furthermore the government with its large share in the banking system has directly controlled the allocation of credit. Credit from public banks have often been extended not on a commercial basis but based on other considerations. For a long time there was no specific competition legislation or competition policy enforced in Turkey. To promote competition within the country, Turkey during the 1980's eliminated quantitative restrictions on foreign trade and substantially decreased the level of nominal and effective protection rates. But the reduction of nominal and effective protection rates was not sufficient to ensure proper functioning of the markets. There was a need for competition policies which aim , by removing barriers to entry and exit from the industry, at freer markets in the economy. Because of these considerations, in December 1994, Turkey adopted its own competition policy, the "Law on the Protection of Competition", modelled largely on EU practice. Regarding the export regime, we note that Turkey joined the GATT Subsidies Code in 1985 agreeing to eliminate export subsidies by 1989. Since Turkey is a member of the World Trade Organisation it accepts the GATT 1994 Agreement on Subsidies and Countervailing Measures (SCM) which prohibits the governments from granting subsidies contingent upon either export performance or the use of domestic products. Turkey has recently eliminated most of the investment and export incentives. Within this context, GATT legal subsidies such as research and development subsidies and subsidies to facilitate the adaptation of plants to new environmental regulations have been introduced in 1995. It is stressed that in the future export subsidies will be restricted to subsidies provided for R&D activities, environmental projects, and financial assistance for export promotion activities directed at participation in trade fairs, the contracting of market research and the organisation of educational activities such as seminars and conferences. Although considerable progress has been achieved in the fields of investment and export incentives, similar progress has not been achieved in the case of public enterprises. Although privatisation has become a prominent part of the Turkish structural adjustment program since 1983, it could not gain momentum because of the various difficulties encountered.

The above considerations reveal that Turkey has adapted its export incentive system to the requirements of the GATT 1994 Agreement on Subsidies and Countervailing Measures (SCM). Furthermore the Turkish competition law modelled largely on EU practice has been introduced during December 1994. By effectively applying the competition law in the future, Turkey will remove the barriers to entry into and to exit from the industry. Finally, Turkey recognises that state aid, as far as it will distort trade between Turkey and EU, may lead to disputes between the Parties. To comply with the rules of the CUA, Turkey will have to stop subsidising its public enterprises at the prevailing rates, align its state aid policies to those of EU, apply the same competition policies to all firms whether private or public. This adjustment will certainly be costly, but unless the system of state aids is aligned to those in EU and unless competition rules are applied effectively to all private and public firms, EU could use commercial defence instruments (anti-dumping and countervailing duties) against Turkey.

The CU rules on subsidies will increase competition in the economy. When faced with intensified competition, domestic industries, which may have reaped monopoly and oligopoly profits in a relatively protected domestic market, will be forced to behave competitively. The concentration ratios in Turkey which are relatively high are expected to decline over time. Furthermore we expect the price-marginal cost markups to decline in the private sector after effective implementation of competition policies. In the public sector we expect public firms, for which the profit maximising framework was inappropriate, to behave more competitively in the future after the effective implementation and enforcement of competition policies.

Similar considerations apply in the cases of EAs. Consider the EA signed between Hungary and EU. The competition provisions are covered in Articles 62-67. The Articles 62.1, 62.2 , 62.4 (a) and 64 read as follows:

"62.1: The following are incompatible with the proper functioning of the Agreement, in so far as they may affect trade between the Community and Hungary:

(i) all agreements between undertakings, decisions by associations of undertakings and concerted practices between undertakings which have as their object or effect the prevention, restriction or distortion of competition;

(ii) abuse by one or more undertakings of a dominant position in the territories of the Community or of Hungary as a whole or in substantial part thereof;

(iii) any public aid which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods.

62.2 Any practices contrary to this Article shall be assessed on the basis of criteria arising from the application of the rules of Articles 85, 86 and 92 of the Treaty establishing European Economic Community.

62.4 (a): For the purposes of applying the provisions of paragraph 1 (iii), the Parties recognise that during the first five years after the entry into force of this Agreement, any public aid granted by Hungary shall be assessed taking into account the fact that Hungary shall be regarded as an area identical to those areas of the Community described in Article 92 (3) of the Treaty establishing the European Economic Community. The Association Council shall, taking into account the economic situation of Hungary, decide whether that period should be extended by a further five year period.

64: With regard to public undertakings, and undertakings to which special or exclusive rights have been granted, the Association Council shall ensure that as from the third year following the date of entry into force of this Agreement, the principles of the Treaty establishing the European Economic Community, in particular Article 90, and the principles of the concluding document of the April 1990 Bonn meeting of the Conference on Security and Co-operation in Europe, in particular entrepreneurs' freedom of decision, are upheld.

Thus EA rules on competition relate to agreements between firms restricting competition, abuse of dominant power, the behaviour of public undertakings and competition distorting state aids. The rules are concerned with the behaviour of governments as well as firms. According to Article 64 public undertakings and undertakings to which special or exclusive rights have been granted are to be subject to principles of Article 90 EEC within three years of the entry into force of the association agreement. Article 62.4 (a) states that state aid, compatible with EU rules for disadvantaged regions (Article 92.3 (a) Treaty of Rome) can be applied to entire territories during the first five years. Since the EA competition rules are similar to those specified in Articles 30.1, 31.1, 32.1 and 33 of the Turkey-EU CUA considerations similar to those expressed in the case of Turkey will apply. In the meantime all of the CEE countries have introduced competition legislation. The CEE laws have been modelled on the EU approach to competition policy.

The success of the transition from situations, where antidumping measures are used as in the cases of Turkey-EU and CEE-EU trade, to a situation where commercial relations are governed by competition rules, depends on the evolution of the level of integration between States. This integration will be accelerated as stressed by Marceu (1995) as long as markets are harmonised through stronger competition enforcement and the phasing out of antidumping measures. Thus the success depends on the effective implementation of competition policies by the national governments in Turkey and CEE countries.

Besides competition policies the CUA has clauses on intellectual, industrial and commercial property rights. The Agreement requires that Turkey ensure adequate and effective protection and enforcement of intellectual property rights and that it will implement the Uruguay Round Agreement on "Trade Related Aspects of Intellectual Property Rights" (TRIPS) by 1999. Furthermore, Turkey will have to adopt by January 1, 1998 legislation to secure the patentability of pharmaceutical products and processes. Regarding copyright, the Agreement requires that piracy such as counterfeiting or boot-legging be effectively banned and that the terms of protection in cases of translation should not be inferior to fifty years in those cases in which the term is calculated on a basis other than the life of the person. Turkey by now has a new Copyright Law and a new Patent Law which are in conformity with the EU conditions. Similar considerations apply in the context of EAs. Article 63-64 of EA with Hungary states that in five years time, Hungary will provide a level of protection of intellectual, industrial and commercial property rights similar to those existing in Community, including comparable means of enforcing such rights.

As is well known, the economic rationale for the protection of intellectual property rights is framed in terms of costs and benefits (Hoekman (1995)). The costs include increase in payments for propriety knowledge, price increases associated with greater market power for knowledge producers, the costs of displacement of pirate activities, the costs of additional R&D and the costs associated with administrative and enforcement of intellectual property rights protection. Potential benefits include new inventions fostered by higher levels of R&D, greater technology, increased foreign trade, increased foreign direct investment flows and hence increases in per capita income of the country. Within this context, the main task facing Turkey and the CEE countries is the transformation of their intellectual property rights regime into an effective instrument for the promotion of innovation, and hence increases in income.

Article 26 of the CUA requires that Turkey adopts EU's customs provisions in the fields of (i) origin of goods, (ii) customs value of goods, (iii) introduction of goods into the territory of the customs union, (iv) customs declaration, (v) release for free circulation, (vi) movement of goods, (vii) customs debt and (viii) right of appeal. Article 8 of the CUA states that, within five years, Turkey shall incorporate into its internal legal order the Community instruments relating to the removal of technical barriers to trade. Furthermore, Article 46 of the Customs Union Agreement specifies that negotiations aiming at the mutual opening of Contracting Parties' respective government procurement markets be initiated as soon as possible after January 1, 1996. Furthermore, for the effective functioning of the customs union the Turkish customs system had to be modernised. A new draft customs law has been prepared replacing the customs law. The new draft customs law aims for speedy customs release, simplified procedures and full automation of customs procedures. Recently the customs administration has been going through extensive training programs. The Turkish customs will start using the computer systems and will introduce on line declaration systems. Furthermore the computer will make it possible to have, at each customs point, not only the relevant information for the collection of customs duties but also information on preferential agreements and anti-dumping regulations that will be required to determine the correct amount of taxes to be collected.

The above considerations reveal that the new rules and disciplines imposed by the CUA and EAs will improve the functioning of markets in the economies under consideration. During the transition period until about 2002 each of the economies under consideration can be considered as moving from an inefficient production point within the society's production possibility frontier (PPF) towards an efficient production point on the PPF. Furthermore, the new rules and disciplines such as the rules on intellectual property rights will shift over time the PPF outward as a result of technical progress that will be achieved during the adjustment period.

Until now we have tried to study the effects of new rules and regulations imposed by the CUA and the EAs. We now turn to consideration of the effect of tariff changes on resource allocation. As nominal protection rates change domestic prices will change leading to movements along the production possibility frontier. There will be winners and losers among the sectors. The purpose is to determine the winning and loosing sector. To study the winners and losers in Turkey we determine the effective protection rates (EPR) for the years 1994 and 2001 and subtract from the value of EPR for the year 2001 the value of EPR for the year 1994. The results are reported in Table 12. From the table it follows that the formation of the customs union will lead to an increase in value added of the sectors "grain mill products" (I-O code 14), "sugar refining" (I-O code 15) and "clothing" (I-O code 22), and to a decrease in value added of the sectors "processed tobacco" (I-O code 19), "petroleum refining" (I-O code 32) and "non-alcoholic beverages" (I-O code 18). The table indicates that the most sensitive ten sectors in the Turkish economy consists of the following sectors: processed tobacco with I-O code 19, petroleum refining with I-O code 32, non-alcoholic beverages with I-O code 18, alcoholic beverages with I-O code 17, wood furniture with I-O code 26, footwear with I-O code 24, plastic products with I-O code 35, cement with I-O code 37, motor vehicles with I-O code 47 and wood products with I-O code 25.

3. POTENTIAL FOR TRADE BETWEEN EU, CEE AND BALTIC COUNTRIES AND TURKEY

As the CEE and Baltic countries complete their transition to market economies and as they continue to have increased market access to Community markets, the geographic distribution of trade will change. A critical question is: What is the potential for trade between EU, CEE and Baltic countries and Turkey. This question has been answered by various economists including Winters and Wang (1994) and R.E. Baldwin (1994) for the CEE and Baltic countries. They show that potential trade with EU is much larger than the actual. Thus, trade between CEE and Baltic countries, on the one hand, and EU on the other will increase once the CEE and Baltic countries complete their transition to market economies, are integrated into the world trading system and have market access to the Community's markets achieved through the Europe Agreements and Free Trade Agreements. The numbers in Tables 3.2 and 3.3 of Baldwin (1994) guesstimate how much trade would have occurred in 1989 if the CEE and Baltic countries had never been under communist regime, but did have the same level of income as they did in 1989 and if the countries did not face any market access restrictions. The ratio of potential to actual trade of the EU-12 to the CEE countries would have been twice as large as the actual figures. Similarly the ratio of potential to actual exports of CEE countries to EU-12 varies from 1.2 for Romania to 5.2 for Bulgaria. But these estimates ignore an important point. The old planning regime depressed trade as well as incomes. As trading partners get richer, bilateral trade flows will tend to rise. The reason for this is apparent. As a country grows richer, it buys and sells more abroad. As income levels will increase in the CEE and Baltic countries trade will grow with EU.

We now turn to estimation of potential Turkish trade with CEE and Baltic countries. For this purpose we consider as in Baldwin (1994) the gravity model of Bergstrandt (1985). In the gravity model a country's total purchases from foreign countries increase with per capita income and size of population. Thus a particular country tends to import more with increases in its per capita income, in the per capita income of the partner country as well as with increases in the size of populations. Finally, distance dampens trade since it is generally more convenient and cheaper to buy from nearby countries. Using bilateral trade data for trade between 20 industrial countries over the period 1990-1992, consisting of 1200 observations, we estimate the coefficients in the following equation:

$$\ln X_{ab} = \alpha + \alpha_1 \ln(GNP_a / POP_a) + \alpha_2 \ln(GNP_b / POP_b) + \alpha_3 \ln POP_a + \alpha_{4 \ln POP_b} + \alpha_5 \ln DIST_{ab}$$

where X_{ab} denotes the exports of country a to country b, GNP_a the income of country a, GNP_b the income of country b, POP_a the population of country a, POP_b the population of country b, $DIST_{ab}$ the distance between countries a and b and "ln" the natural logarithm. We consider the trade data for industrialised countries and find that the coefficients are given by:

$$\ln X_{ab} = -27.881 + 1.051 \ln (GNP_a / POP_a) + 0.422 \ln (GNP_b / POP_b) - 0.839 \ln DIST_{ab}$$
$$(-33.875)\ (18.633) \qquad (8.894) \qquad (-47.457)$$

$$+ 0.824 \ln POP_a + 0.812 \ln POP_b$$
$$(41.75) \qquad (50.207)$$

$$n = 1200,\ R^2 = 0.8772;\ r = 0.183;\ DW = 2.067$$
$$(6.411)$$

In the estimation of the equation we use data on the GNP levels of the industrial and semi industrial countries given in the various issues of "World Development Report" prepared by the World Bank for the period 1990-1992 deflated by the GNP deflators. The data on bilateral trade flows are obtained from "Direction of Trade Statistics" and have been converted to real trade data using the export unit values reported in the "International Financial Statistics" of the International Monetary Fund. Finally distance refers for countries on the continent road distances between the capital cities in kilometres. For countries between continents, sea distances have been converted to road distance equivalents. The equation estimated using the above variables for the period 1990-1992 shows that bilateral trade flows are increasing in per capita incomes, populations and decreasing in distance.

The gravity model, which was estimated on data that does not include the CEE and Baltic countries and Turkey, gives a relationship between GNP, distance and bilateral trade flows for a "normal" country, i.e. one that is integrated into the world trade system as the average of industrial countries sample. The "normal" country is supposed to face no restrictions on market access. With this equation estimated we can predict the trade flows between Turkey and CEE and Baltic countries once the latter set of countries become "normal" countries. That is to say, once they complete their transition to market economies, are integrated in the world trading system and face no major market access problems. The mechanics of the projection is simple. Estimates for the relevant countries' per capita GNP, population and distance are plugged into the equation which generates the import and export pattern for trade between concerned countries.

Table 13 shows the potential values of exports and imports for trade between Turkey and CEE and Baltic countries for the year 1992. It is clear from Table 13 that potential trade with CEE and Baltic countries is much larger than the actual. The data reveal that Turkey's exports to CEE and Baltic countries could increase by about 150 percent above its 1993 level and that Turkish imports from CEE and Baltic countries would increase by 45 percent. The above considerations reveal that under normal circumstances the Turkey-CEE and Turkey-Baltic countries trade will increase considerably over the coming decades.

4. CHANCES OF MEMBERSHIP IN THE EU

To study the chances of EU membership of the CEE and Baltic countries and of Turkey we consider the evidence for previous enlargements. The results are reported in Table 14. The table reveals that EU is concerned with the prospects of functioning democracies in applicant countries, the level of per capita incomes in those countries, size of the population and share of agricultural sector. In all of the previous cases of successful applications the applicant country had to prove that it had functioning democracies for a period of at least seven years (Greece). In no previous case did the successful applicant country (Portugal) have a per capita income which was less than 61.4 percent of the poorest EC member (Greece), and a population that was larger than 26.9 percent at the accession (UK). Finally, in no case did the share of agriculture in GDP exceed 18.3 percent (Ireland). Table 15 gives basic data on the actual and potential applicant countries consisting of CEE countries, Baltic countries, Slovenia and Turkey. All of the transition economies started to have functioning democracies only during the 1990's. Turkey on the other hand has moved back to an open, liberal political system since 1983. Regarding population we note that EU population consisting of 15 countries will increase by 16.1 percent by Turkish membership and by 10.4 percent by Polish membership. In all of the other cases the countries are small. The share of agriculture in GDP is 22.61 percent in the case of Lithuania, 20.91 percent in Romania, 15.66 percent in Latvia, 15.4 percent in Turkey, 12.84 percent in Bulgaria and 11.06 percent in Estonia.

Since the CEE countries have not yet produced national accounts that are up to Western standards estimates on national income have been developed by various sources. There are many such estimates. Since the estimates vary enormously a realistic assessment of the development level of the countries causes difficulties. Table 15 is based on two sets of estimates of per capita incomes as reported in the "World Development Report 1995" of the World Bank and given in Table 1. The first estimate is per capita income measured in current US Dollars and the second estimate takes into account the purchasing power parities of national currencies. Considering the per capita income levels measured in current US Dollars we note that per capita income in Romania during 1993 is 15.4 percent of the per capita income of the poorest EU member, namely Greece. The per capita income of Bulgaria is 15.4 percent of the income level in Greece, that in Lithuania 17.9 percent, in Slovak Republic 26.4 percent, in Latvia 27.2 percent, in Turkey 29.6 percent and in Poland 30.6 percent. Considering the PPP per capita incomes we note per capita income in Romania is 31.1 percent of PPP per capita income in Greece, 34.6 percent in Lithuania, 45.6 percent in Bulgaria, 55.6 percent in Poland, 55.7 percent in Latvia and 43.6 percent in Turkey. According to PPP per capita income levels the per capita income of Czech Republic is 83.9 percent of the PPP per capita income level of Greece. If EU were to apply the 61.4 percent rule to the applicant countries then only Slovenia would satisfy the criteria if per capita incomes are measured in current US Dollars. On the other hand if EU would use the PPP per capita income levels then Bulgaria, Romania, Latvia, Lithuania, Poland and Turkey would fail to satisfy the condition. All of the other countries would satisfy the 61.4 percent rule.

Given the per capita income levels reported in Table 1 we next ask the question how incomes will change over time, and whether the CEE countries, Baltic countries and Turkey would be able to catch up with the 61.4 percent per capita income level of the poorest EU member in the near future. Table 16 contains data on the growth rates of population projected by the World Bank for the period 1992-2000 and reported in the "World Development Report 1994" (WDR). During the period 1970-1992 Greece's GNP has grown at the annual rate of 3.1 percent and Turkish GNP at the annual rate of 5.4 percent. In the following we shall consider the potential developments in CEE, Baltic countries' and Turkey's per capita GNP in comparison to the potential developments in Greek per capita GNP. We assume that the Greek GNP will grow in the future at the same growth rate that has been achieved over the period 1970-1992. The assumed annual growth rate of Greek GNP is thus 3.1 percent. Furthermore, we assume that Greek population will grow at the annual rate of 0.5 percent. Table 16 has been prepared for different values of the growth rate of real GNP for the CEE, Baltic countries and Turkey. We assume following Sheehy (1994) that the CEE and Baltic economies can grow at either the pessimistic rate of 3 percent, or at the probable rate of 5 percent or at the optimistic rate of 6 percent. Regarding Turkish GNP the pessimistic rate is assumed to be 4.4 percent, the probable rate 5.4 percent and the optimistic rate 7 percent. Table 16 based on current US Dollar values of per capita incomes reveals the following aspects:

- When the CEE and Baltic countries' GNP grow at the pessimistic growth rate of 3 percent and Turkish GNP at the rate of 4.4 percent none of the countries except Slovenia will reach 61.4 percent of the Greek per capita income level over the next 25 years.
- When the CEE and Baltic countries' GNP grow at the probable rate of 5 percent and Turkish GNP at the rate of 5.4 percent, Hungary will reach the 61.4 percent Greek per capita income level after 15 and Estonia after 21 years. The 61.4 percent condition will not be satisfied by none of the remaining countries excluding Slovenia. Thus after 25 years the Czech per capita income will amount to 57.89 percent, the Slovak to 41.65 percent, the Polish to 48.28 percent, the Romanian to 24.35, the Bulgarian to 24.35, the Latvian to 42.94 percent, the Lithuanian 28.2 percent and the Turkish to 51.3 percent of the Greek per capita income.
- When the CEE and Baltic countries' GNP grow at the rate of 6 percent and Turkish GNP at the rate of 7 percent Czech Republic will satisfy the 61.4 percent rule after 19, Hungary after 12, Poland after 25, Estonia after 14 and Turkey after 19 years. In Slovak Republic, Romania, Latvia and Lithuania the condition will not be satisfied even after 25 years.

Baldwin (1994) summarises the conditions for EU membership under six headings: (i) free movement of goods, services and factors of productions within the Union, (ii) adoption of EU's common external tariff and trade policy vis-à-vis the third countries, (iii) harmonisation of commercial legislation, (iv) participation in the European Monetary System and future monetary system, (v) adoption of EU's Common Agricultural Policy, (vi) supranational appellate system to enforce consistent application of Community law throughout the Union, (vii) open government procurement and (viii) common policy promoting the disadvantaged regions by structural spending. As emphasised above Turkey by forming the CU with EU will satisfy the first condition partially, but the second and third components of membership completely by the year 2001. In the case of the first component, the customs union agreement does not cover the free movement of services nor of labour. The agreement is silent on movements of capital. The fourth component (participation in EMU) is not a requirement for membership. The Agreement considers condition 5, but it does not seem to be possible for Turkey to adopt the CAP in the near future. External assistance would be essential for the implementation of the condition 5. In the case of CEE countries the countries will satisfy in the near future the third condition of membership completely. The first condition will be satisfied partially as the Agreements do not cover the free movement of labour. The Europe Agreements contain sections on services and on capital movements. Since Europe Agreements are free trade agreements the CEE countries will not satisfy condition 2 of membership. The countries are free to determine the level of tariffs against third countries. Regarding the CAP, considerations similar to those in the Turkish case will apply to condition 5 of EU membership. Again, as in the Turkish case the fourth component (participation in EMU) is not a requirement for membership.

The components that are of real concern to EU are the fifth (CAP) and seventh (structural funds) components related to funds to be received by the country from the Community budget. The net cost of membership to EU is the important variable. The net cost should not threaten the prospect of receiving more transfers than the richer EU countries can reasonably be expected to finance. To determine the net cost of membership of CEE and Baltic countries and of Turkey we make use of the results obtained and of the approach developed by Centre for Economic Policy Research (CEPR(1992)) and Baldwin (1994). The net cost is defined as the difference of the sum of structural funds and the Common Agricultural Policy price support received by the countries and of the national budgetary contribution to EU.

Consider first the problems associated with the adoption of CAP by the countries concerned using the example of Turkey, where agriculture has economy wide importance. During 1994, it accounted for about 15.4 percent of GDP and 44.2 percent of total employment in the economy. These shares have been falling over time, but compared to other EU countries the shares are still relatively high. According to OECD (1994b) value added per agricultural worker in Turkish agriculture amounts to only 21 percent of the value added per non-agricultural worker in Turkish non-agricultural sector. The low productivity in agriculture is associated with a farm structure characterised by small, fragmented farms, a poor level of education and training of farmers leading to low farm household incomes. Furthermore nearly half of the Turkish population still lives in rural areas. In Turkey population growth rates have exceeded 2 percent annually. The highest fertility rates are found in rural areas, with out-migration from these areas also tending to be high. Although migration abroad has slowed down, internal migration towards urban areas continues at a fast pace. The objectives of Turkish agricultural policy are stated as ensuring adequate levels of nutrition and food supplies at reasonable prices to consumers, raising production levels and yields while reducing the vulnerability of production to adverse weather conditions, raising levels of self-sufficiency, increasing farm incomes and improving their stability, increasing exports, and developing rural areas. In pursuit of these objectives the government has implemented a set of measures based essentially on the support of producer prices, complemented by trade related measures, the subsidisation of farm inputs, and transfers related to investments in infrastructural projects. In order to measure the total support provided to agriculture, OECD (1994b) determines the Producer Subsidy Equivalents (PSE) which measure the value of monetary transfers to producers from consumers of agricultural products and from taxpayers resulting from a given set of agricultural policies in a given year. According to OECD (1994b) total support as measured by the percentage PSE is estimated to have risen during 1991-93 to around 40 percent - double the rate in the period 1979-81, and the share of total agricultural transfers in total GDP has amounted to 13.7 percent in 1991, 11.5 percent in 1992 and 11.1 in 1993. Thus the average annual amount of total transfers to agriculture over the 1991-1993 period is about $ 14 billion. At this point it should be noted that agriculture, besides being subsidised, has also been heavily protected as one can see from columns 1 and 3 of Table 8.

During the last few decades Europe on the other hand has experienced a dramatic decline in agriculture. The gradual but massive transfer of labour from farms in Europe has created severe economic and social problems especially for uprooted families and their dependants. This is the prime justification for ambitious agricultural policies introduced under the name "Common Agricultural Policy" (CAP) intended to alleviate the burden of relocation from farm to city. According to the Treaty of Rome the major goals of the CAP are to increase agricultural productivity, insure a fair standard of living for farm community, stabilise farm product markets, provide food security and secure supplies to consumers at reasonable prices. The CAP is based on three guiding principles: (i) unity of the market, (ii) Community preference, and (iii) financial solidarity. According to the first principle free movement of agricultural commodities is achieved through the common market order. According to the second principle agricultural markets are protected from foreign competition through market interventions, and according to the third principle agricultural support program is financed from the EU budget mainly through the European Agricultural Guidance and Guarantee Fund (FEOGA). Kirmani (1994) reports that a high level of support is provided to agriculture in EU. EU had a PSE ratio of 46 percent in 1990, 47 percent in 1992 and 48 percent in 1993. The support has significantly reduced the EU's net food imports since the 1970's and substantially increased self-sufficiency ratios in EU. But the CAP has been under great pressure to reduce the drain on the EU budget. The 1992 MacSharry reform of CAP aimed at curbing excess production of cereals by means of set-asides of arable land and reductions in guaranteed prices, with compensation to farmers in the form of a fixed payment per hectare under cultivation. The reforms are an important step towards the market oriented system. It is expected that by the end of 1995/96 marketing season intervention prices will be reduced to world prices (European Economy (1994)). If successful this implies that there will be no need for export subsidies or import taxes starting from 1996 onwards. This would not imply that the PSE ratio in EU would decline to zero. The system of regionally calculated 'compensatory' area payments tied to set-aside schemes will insure that the decline in agricultural incomes is reduced substantially over time. Thus in EU the "market price support" would decline to zero but positive amounts of "direct payments" would still be paid. As a result the PSE ratio could be held at its present levels.

According to Articles 22-25 of the CUA, in order to establish the freedom of movement of agricultural products, Turkey will have to adjust its agricultural policy in such a way as to adopt the CAP measures. But is this possible? What does the adoption of CAP measures mean for Turkey. At current domestic prices, Turkey is a net exporter of some and net importer of other farm products. But those domestic prices when converted at equilibrium exchange rates are below the EU domestic prices. Should Turkey be given preferential, tariff free access to EU agricultural markets at existing EU prices then supply could be expected to increase in Turkey. The output of all farm products in Turkey will be higher. The aggregate level of food self-sufficiency will rise. Turkish consumers would face higher prices costing them a certain amount annually. Anderson and Tyers (1993) have determined that Visegrad farmers would be better off by $ 52.5 billion annually. Thus allowing Visegrad countries into the CAP would involve a massive transfer from EU taxpayers and Visegrad consumers to Visegrad farmers. Anderson and Tyers (1993) estimate that the total extra cost to the EU budget would amount to $ 47 billion each year. This cost would bankrupt the CAP. Since similar results would be obtained in the Turkish case the problem faced by Turkey is who is going to provide the necessary funds? Since Turkey cannot devote an amount similar to the figures given above from its own resources for the support of Turkish agricultural sector and since EU would be unwilling to bear the cost, the idea of establishing a fund similar to FEOGA in Turkey would have to be abandoned. As a result it seems that freedom of movement of agricultural products between Turkey and EU cannot be achieved in the near future. Furthermore the adoption of CAP might also involve the equalisation of PSE ratios and also the equalisation of farm incomes. Can Turkey raise the standard of living of Turkish farm population to that of EU? At this point it should be noted that the average yields of wheat and Barley in Turkey are 2.01 tonnes/hectare, whereas the same yields in France are 6.4 and 5.9 tonnes/hectare respectively (OECD (1994a)) . Thus, even if Turkish and EU commodity prices were equalised and all kinds of subsidies in the form of direct payments to producers, subsidies to capital and other inputs, subsidies in the form of general services, regional subsidies and tax concessions were eliminated, agricultural incomes in Turkey would be lower than those in France because of the large productivity differential. In order to raise its agricultural income levels to those in France, Turkey would also have to increase agricultural productivity through additional investments in agriculture, which will probably take a long time. All these arguments lead to the conclusion that the freedom of movement of agricultural products between Turkey and EU cannot be achieved in the near future. Similar arguments would hold in the case of CEE and Baltic countries.

Next consider the issues related with structural funds. These are transfers from Brussels to poorer member states and regions. The funds are aimed at encouraging greater economic and social cohesion. About half of structural funds is channelled into low income regions defined as the regions with per capita incomes less than 75 percent of the EU average. The funds are used to improve infrastructure in the low income regions and to provide local training. A recent study for the EC Commission published in European Economy (1993) asserts that Portugal and Greece are likely to receive ECU 400 per capita in the future. Using this approach the Visegrad-4 would receive 32.5 billion US $.

The budget revenue of EU consists of receipts based on national VAT receipts, tariff revenues, variable duties and GNP contributions. Currently the EU budget amounts to about 1.2 percent of the Union's total GDP. This fraction is set to go up to 1.3 percent by the year 2000. Using the 1.3 percent figure the contribution of Visegrad countries is determined as US $ 6.9 billion. Hence the net budgetary cost to EU of admitting Visegrad-4 as members would amount to US $ 72.6 (47 + 32.5 - 6.9) billion. Baldwin admits that the figure is too large. His own estimates of the net cost of membership are shown in Table 17. From the table it follows that admitting Czech Republic, Hungary and Slovenia as new member states of the Union would cost EU US $ 5.63 billion. Admitting, in addition, Poland as a new member would increase the cost to US $ 13.75 billion. Admitting, in addition, the Baltic countries, Slovak Republic, Bulgaria and Romania would increase the annual cost to US $ 33.38 billion.

The estimates presented are rather rough. But one aspect is clear. The CEE and Baltic countries and Turkey would impose a large burden on the EU taxpayers if they were to enter now and the EU applied its current rules on CAP and structural funds. Note that the 1994 EU budget amounted to ECU 72.3565 billion ECU. Hence the burden of admitting Czech Republic, Hungary, Poland and Slovenia into EU would constitute about 15.2 percent of the EU budget. Admitting the remaining CEE and Baltic countries to the Community would increase the cost to 36.9 percent. The figures are large sums for the Community. If EU intends to admit these countries as new members then either the budget has to be increased considerably or the rules on "structural funds" and "price support under CAP" has to change.

The budgetary outlays to EU have to be evaluated relative to potential gains which would come in the form of increased trade and political stability. Estimates of potential EU trade with CEE and Baltic countries and with Turkey, using the Gravity type of analysis, reveals that CEE, Baltic and Turkish trade with EU would increase considerably over the coming decades. Politically there are gains to be derived from a future stable central and eastern Europe and Asia Minor. It seems that sustainable high growth of GNP by potential candidates is a prerequisite for membership to EU. But the whole question boils down to how much EU would be willing to spend for integration of the countries into EU.

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Table 1: Basic Data on CEE, Baltic, EU and Turkish Economies

	1993 Population (million)	1993 GDP ($ billion)	Area (1000 km2)	1993 GNP/Pop ($)	PPP Estimate of GNP/Pop (1993, $)	1993 Exports ($ billion)	1993 Imports ($ billion)	Share of Agricultural Value Added in GDP (%)	Average Real GDP Growth Rate 1991-94	Average Inflation Rate 1991-94	Estimated Population Growth Rate 1993-2000
CEE Countries											
Czech Republic	10.3	31.61	79	2710	7550	12.93	13.49	5.3	-5.7	25.2	0.1
Hungary	10.2	38.10	93	3350	6050	8.89	12.60	7.7	-3.4	24.6	-0.4
Poland	38.3	85.85	313	2260	5000	14.00	18.83	7.0	1.4	45.2	0.2
Slovak Republic	5.3	11.08	49	1950	6290	5.45	6.35	6.4	-5.9	26.6	0.4
CEE-4	64.1	166.64	534	2574	5810	41.26	51.26	6.8	-1.5	35.5	0.1
Bulgaria	8.9	10.37	111	1140	4100	4.07	4.24	12.8	-5.0	146.1	-0.5
Romania	22.8	25.97	238	1140	2800	4.89	6.40	20.9	-4.2	191.1	-0.1
CEE-6	95.8	202.98	883	2317	5337	50.23	61.91	8.9	-2.0	61.0	0.0
Former Yugoslavia											
Slovenia	1.9	10.34	20	6490	..	6.09	6.50	5.1	3.2	26.1	0.1
Baltic Countries											
Estonia	1.6	5.09	45	3080	6502	0.46	0.62	11.1	-7.5	354.1	-0.5
Latvia	2.6	4.60	65	2010	5010	0.46	0.34	15.7	-14.8	305.1	-0.8
Lithuania	3.7	4.34	65	1320	3110	0.70	0.49	22.6	-23.1	431.9	-0.1
Baltic Countries	7.9	14.03	175	2185	4964	1.62	1.44	16.5	-14.7	362.1	-0.4
European Union											
Austria	7.9	182.07	84	23510	19430	40.17	48.58	2.7	1.9		0.5
Belgium	10.0	210.58	31	21650	19640	112.51	125.06	1.8	0.8	2.5	0.3
Denmark	5.2	117.59	43	26730	19560	35.91	29.52	3.1	1.8	2.0	0.1
Finland	5.1	74.12	338	19300	15530	23.45	18.03	2.4	-2.1		0.4
France	57.5	1251.69	552	22490	19000	206.26	202.27	2.6	0.8	2.3	0.4
Germany	80.7	1910.76	357	23560	16850	380.15	348.63	1.0	1.7	3.5	0.2
Greece	10.4	63.24	132	7390	9000	7.96	20.54	12.5	1.2	14.3	0.3
Ireland	3.5	42.96	70	13000	13490	28.61	21.39	6.6	3.5	2.4	0.3
Italy	57.1	991.39	301	19840	17830	168.46	146.79	3.2	0.7	5.3	0.0
Luxembourg	0.4	14.78	3	37320	29510			1.2	1.7	3.1	..
Netherlands	15.3	309.23	37	20950	17330	139.08	126.56	3.6	1.3	2.7	0.6
Portugal	9.8	85.67	92	9130	10710	15.43	24.60	3.5	0.8	8.3	0.0
Spain	39.5	478.58	505	13590	13510	62.87	78.63	3.5	0.8	5.7	0.1
Sweden	8.7	166.75	450	24740	17200	49.86	42.68	0.6	-0.8		0.5
United Kingdom	57.9	819.04	245	18060	17210	180.58	206.32	2.0	0.4	4.8	0.3
EU-12	369.0	6718.43	3240	19685	17276	1451.30	1439.59	2.4	1.1	4.1	0.2
Turkey	59.5	132.30	779	2184	3920	18.11	23.27	15.4	2.3	77.1	1.8

Source: World Development Report 1995, World Bank; various issues of the "Economist Intelligence Unit Country Reports" on CEE economies; OECD in Figures, 1994 edition, OECD; various issues of European Economy, and World Economic Outlook, Oct 1995, IMF

Note: Turkish data on GNP, per capita income, exports and imports refer to the year 1994.

Table 2: Territorial Composition of Trade of the CEE and Baltic Countries and of Turkey during 1988 and 1994

Partner Group	Bulgaria 1988	Bulgaria 1994	Czechoslovakia 1988	Czech Republic 1994	Estonia 1994	Hungary 1988	Hungary 1994	Latvia 1994	Lithuania 1994	Poland 1988	Poland 1994	Romania 1988	Romania 1994	Slovakia 1994	Slovenia 1994	Turkey 1988	Turkey 1994
TOTAL EXPORTS	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
EU-15	19.13	48.36	29.84	59.39	49.23	30.34	60.67	39.33	30.11	35.85	69.21	29.23	48.21	47.84	65.54	45.66	47.69
Germany	5.63	14.03	15.11	34.74	7.56	10.91	28.04	10.52	11.43	12.89	35.67	9.37	16.04	25.07	30.26	18.28	21.73
Austria	0.85	1.90	4.23	7.03	0.14	5.70	9.90	2.12	0.30	3.02	2.20	1.67	1.57	6.71	5.48	1.53	1.38
Finland	0.37	4.74	0.70	2.41	0.61	0.93	3.34	1.42	1.18	1.40	4.00	0.11	5.13	2.33	8.59	0.15	0.17
CEE & Baltic Countries and Slovenia	31.71	5.11	16.80	24.75	13.49	11.70	7.04	10.82	18.14	11.60	5.27	12.80	6.27	43.28	4.89	1.80	4.00
Former Soviet Union	na	10.79	34.20	4.90	29.35	27.70	14.63	36.80	46.67	24.30	8.27	24.40	6.25	3.83	4.63	2.30	7.80
Turkey	0.47	3.67	0.56	0.41	0.19	1.04	0.38	0.10	0.20	0.74	0.20	2.10	4.09	0.30	0.12	-	-
TOTAL IMPORTS	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
EU-15	36.42	45.35	33.30	63.99	63.62	34.67	56.35	40.66	32.21	33.89	65.31	7.08	48.18	43.14	68.42	42.88	46.91
Germany	16.75	14.24	17.70	35.09	9.64	13.90	23.56	13.61	13.75	13.00	27.47	2.50	17.96	21.43	23.55	14.30	15.67
Austria	3.69	2.50	5.30	7.40	0.54	7.20	10.51	0.72	0.62	4.30	2.57	0.80	2.74	6.70	10.27	1.50	0.91
Finland	0.60	3.05	0.54	4.25	1.43	0.81	3.05	1.53	1.78	1.05	4.52	0.04	5.09	2.16	8.17		0.61
CEE & Baltic Countries and Slovenia	19.33	5.30	16.80	17.73	5.48	12.30	6.03	12.88	11.66	12.00	4.39	17.60	5.12	33.04	6.79	2.80	3.10
Former Soviet Union	na	24.48	31.40	10.31	21.53	25.10	22.96	30.35	50.29	28.20	9.32	35.40	17.89	12.50	2.24	3.10	7.80
Turkey	0.53	1.80	0.34	0.28	0.03	0.32	0.24	0.16	0.08	0.44	0.43	0.44	2.12	0.08	0.29	-	-

Note: Trade during 1988 between each of the CEE countries and "CEE&Baltic Countries and Slovenia" refers only to trade between those countries and CEE countries
Source: Direction of Trade Statistics, IMF, 1995

Table 3: Commodity Composition of Exports and Imports of CEE and Baltic Countries and of Turkey in their trade with EU

EXPORTS	SITC	COMMODITY	Bulgaria	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Slovenia	Slovakia	Turkey
1	0-08+41+42	Food	8.35	2.67	5.67	12.71	1.22	3.76	8.52	3.16	1.64	2.02	17.45
2	1	Beverages and Tobacco	4.51	0.50	0.07	0.58	0.05	0.03	0.09	0.38	0.18	0.02	1.45
3	08+22+43	Other Food Items	1.10	0.64	0.78	1.73	0.05	0.63	0.43	0.23	0.13	0.51	0.18
4	2-22-27-28	Agricultural Raw Materials	4.36	4.30	14.18	2.93	16.79	6.22	3.78	1.68	2.07	3.01	2.37
5	27+28	Crude Fertilizers and Metallic Ferrous Ore	3.63	2.65	9.93	1.96	5.57	11.07	1.64	0.97	0.40	1.80	2.06
6	3	Energy	1.64	2.86	13.30	1.19	43.51	35.09	7.81	2.99	0.00	0.39	2.16
7	67+68	Iron and Steel and Non-Ferrous Metals	19.63	8.21	8.72	6.65	9.25	4.96	12.07	14.26	6.65	15.88	2.46
8	65+84	Textiles and Clothing	18.24	11.40	12.74	15.47	8.61	14.50	17.87	33.46	17.97	17.91	49.83
9	61+83+85	Hides and Lather	6.24	2.97	2.59	4.47	1.42	2.46	1.99	9.53	3.55	3.96	0.59
10	63+82	Wood Manufactures and Furniture	1.88	5.23	9.15	3.19	5.47	3.34	10.22	10.89	9.36	4.66	0.58
11	64	Paper	0.32	1.59	0.16	0.72	0.10	0.27	1.26	0.32	3.40	3.90	0.34
12	66	Non-Metalic Mineral Manufactues	1.90	5.95	2.64	1.79	0.44	0.63	3.46	2.88	2.24	5.63	2.44
13	5+62	Chemicals and Rubber Products	11.69	9.54	11.56	8.93	3.37	10.66	5.65	5.81	6.04	10.52	4.14
14	69	Metal Products	1.54	6.23	1.34	3.30	0.31	1.02	4.56	1.71	4.84	3.92	1.21
15	7	Machinery and Transportation Equipment	12.06	25.62	1.95	28.79	1.62	3.58	16.58	8.63	33.81	20.98	9.90
16	81+86+89+9	Miscellaneous Manufactured Articles	2.89	9.64	5.22	5.60	2.21	1.79	4.07	3.09	7.71	4.90	2.83
		First three sectors with highest shares	7, 8, 15	15, 8, 16	4, 6, 8	15, 8, 1	6, 4, 7	6, 8, 5	8, 15, 7	8, 7, 10	15, 8, 10	15, 8, 7	8, 1, 15

IMPORTS	SITC	COMMODITY	Bulgaria	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Slovenia	Slovakia	Turkey
1	0-08+41+42	Food	9.52	5.16	21.46	5.12	14.43	10.26	7.45	5.06	5.23	5.05	1.55
2	1	Beverages and Tobacco	3.47	0.78	5.07	0.49	10.74	11.51	0.51	0.74	1.31	0.63	0.57
3	08+22+43	Other Food Items	0.36	0.87	0.74	0.79	0.39	0.67	1.44	0.64	0.26	1.16	0.19
4	2-22-27-28	Agricultural Raw Materials	2.68	1.38	1.18	1.76	1.03	1.37	1.89	1.28	2.38	1.82	2.63
5	27+28	Crude Fertilizers and Metallic Ferrous Ore	0.39	0.43	0.08	0.22	0.03	0.03	0.38	0.67	0.98	0.22	4.66
6	3	Energy	3.39	0.82	1.44	0.58	2.01	0.49	1.84	2.52	2.02	0.48	1.70
7	67+68	Iron and Steel and Non-Ferrous Metals	2.00	3.85	1.03	2.78	0.69	1.23	2.69	1.60	4.88	4.61	5.27
8	65+84	Textiles and Clothing	10.75	6.99	6.38	10.75	8.77	9.60	12.92	21.35	12.29	9.87	5.26
9	61+83+85	Hides and Lather	3.13	1.76	1.94	3.58	2.47	1.45	1.28	6.28	2.71	2.69	1.27
10	63+82	Wood Manufactures and Furniture	1.63	1.78	1.27	1.89	2.07	1.87	1.01	1.06	2.01	1.75	0.63
11	64	Paper	1.80	1.49	0.86	1.90	1.18	0.89	2.27	1.18	1.81	1.10	1.26
12	66	Non-Metalic Mineral Manufactues	1.56	2.07	1.28	1.96	1.46	1.06	1.95	1.22	1.81	1.82	1.22
13	5+62	Chemicals and Rubber Products	16.39	12.06	9.91	13.43	7.87	10.39	15.24	9.04	11.33	12.19	15.82
14	69	Metal Products	1.86	4.19	1.91	3.40	1.61	1.60	3.09	2.31	3.06	2.92	1.88
15	7	Machinery and Transportation Equipment	32.49	44.21	34.33	41.30	34.54	36.48	34.85	35.94	39.60	44.35	44.29
16	81+86+89+9	Miscellaneous Manufactured Articles	8.59	12.15	11.12	10.06	10.72	11.09	11.18	9.08	8.33	9.33	11.80
		First three sectors with highest shares	15, 13, 8	15, 16, 13	15, 1, 16	15, 13, 8	15, 1, 2	15, 2, 16	15, 13, 8	15, 8, 16	15, 8, 13	15, 13, 8	15, 13, 16

Source: Own Calculations

Table 4: Indexes of Similarity for Turkish Exports to and Turkish Imports from European Union with CEEC's Trade with European Union

	Turkish Exports	Turkish Imports
Bulgaria		
Exports	0.6896	0.3757
Imports	0.3768	0.7884
Czech Rep.		
Exports	0.4808	0.7157
Imports	0.2831	0.8769
Estonia		
Exports	0.3668	0.3247
Imports	0.2288	0.7143
Hungary		
Exports	0.6814	0.5442
Imports	0.3341	0.8595
Latvia		
Exports	0.1879	0.1768
Imports	0.3391	0.6542
Lithuania		
Exports	0.3512	0.2308
Imports	0.3096	0.7464
Poland		
Exports	0.7221	0.4004
Imports	0.3353	0.8442
Romania		
Exports	0.8221	0.2164
Imports	0.4073	0.7588
Slovakia		
Exports	0.5981	0.5728
Imports	0.2886	0.8923
Slovenia		
Exports	0.5993	0.5909
Imports	0.3178	0.7874

Level of Aggregation: 2-digit SITC
Source: Own calculation

Table 5a Thirteen SITC divisions with highest RCA values computed for trade with EU during 1994

Rank	Bulgaria		Czech Republic		Estonia		Hungary		Latvia		Lithuania		Poland		Romania		Slovakia		Slovenia		Turkey	
1	56	2.215	81	1.285	56	2.910	0	1.715	24	2.906	56	3.183	32	2.440	85	2.235	56	1.737	63	1.883	84	2.224
2	68	1.731	32	1.173	24	2.650	1	1.439	21	2.109	28	2.319	82	1.800	82	2.205	67	1.564	82	1.588	5	1.897
3	85	1.515	24	1.138	21	2.507	85	1.325	33	1.889	21	2.085	63	1.773	84	2.031	85	1.093	61	1.364	65	1.312
4	83	1.486	82	1.123	28	2.259	22	1.296	63	1.854	61	1.755	0	1.746	67	1.157	82	1.048	84	1.185	27	1.264
5	35	1.412	63	1.118	32	2.251	84	1.161	28	1.655	24	1.693	56	1.373	0	1.087	0	1.030	81	1.070	12	1.109
6	11	1.394	69	0.974	63	2.120	71	1.001	26	1.006	33	1.654	84	1.338	56	1.042	84	1.027	62	0.904	26	0.838
7	52	1.314	66	0.948	52	1.844	81	0.899	61	0.734	63	1.129	68	1.314	68	0.925	61	0.941	85	0.787	81	0.516
8	23	1.307	56	0.892	82	1.316	77	0.718	67	0.693	84	0.975	24	1.120	21	0.718	24	0.927	69	0.722	62	0.480
9	0	1.250	67	0.877	3	1.122	82	0.712	68	0.544	32	0.922	27	0.802	63	0.417	63	0.921	52	0.670	29	0.420
10	84	1.243	85	0.781	25	0.895	29	0.693	32	0.476	59	0.824	61	0.686	61	0.343	66	0.892	77	0.611	52	0.324
11	12	1.125	0	0.734	81	0.837	41	0.689	82	0.377	68	0.418	69	0.663	66	0.224	81	0.847	68	0.602	56	0.098
12	28	1.102	83	0.674	68	0.811	28	0.596	84	0.342	82	0.288	3	0.437	81	0.194	62	0.846	24	0.544	66	0.058
13	67	1.030	28	0.672	65	0.789	21	0.525	52	0.113	27	0.266	67	0.432	51	0.117	65	0.709	21	0.494	83	0.030
Sectors Turkey has Comparative Advantage	56, 83, 52 84, 12		81, 66, 56 83.000		56, 52, 81 65		84, 81, 29		26, 84, 52		56, 84, 27		56, 84, 27		84, 56, 66 81		56, 84, 66 81, 62, 65		84, 81, 62 52			

Table 5b: Thirteen SITC divisions with highest export shares in 1994 to export shares in 1989 for trade with EU

Rank	Bulgaria		Czech Republic		Hungary		Poland		Romania		Slovakia		Turkey	
1	68	8.896	96	16.656	71	5.808	61	7.091	21	777.746	79	17.544	32	21.796
2	79	7.616	75	9.601	75	5.533	9	5.730	32	766.878	61	9.087	64	13.782
3	9	7.432	77	5.367	43	4.912	63	2.649	25	124.935	56	7.584	79	6.254
4	85	5.954	61	4.850	78	3.741	81	2.439	8	109.572	68	6.757	42	5.981
5	61	5.624	79	4.363	25	3.536	89	2.224	43	34.989	42	4.271	25	5.517
6	42	4.911	68	4.061	81	3.354	55	2.222	79	19.283	77	3.805	59	4.354
7	88	3.727	69	3.873	76	2.691	82	2.215	61	6.681	76	2.697	77	3.744
8	52	3.348	81	3.531	77	2.401	54	2.053	85	6.392	84	2.552	22	2.967
9	43	2.643	56	3.258	88	2.275	56	1.851	42	5.360	69	2.436	24	2.543
10	81	2.447	8	2.914	21	2.236	84	1.810	0	5.007	81	2.279	81	2.374
11	71	2.379	87	2.535	91	1.699	66	1.797	93	4.954	64	2.082	54	2.304
12	53	2.358	42	2.439	64	1.626	26	1.761	28	4.671	8	2.021	82	2.001
13	84	2.017	88	2.292	69	1.540	78	1.701	27	4.390	85	1.927	62	1.979
Sectors Turkey has Comparative Advantage	79, 42, 81		77, 79, 42		81, 77, 64		81, 82, 54		25, 79, 42		79, 42, 77 81, 64			

Table 6: Trade between Turkey and CEE and Baltic Countries during 1985-1994 (Million US $)

EXPORTS

	Bulgaria	Czechoslavakia	Czech Rep.	Slovakia	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Slovenia	Total CEE and Baltic Trade	Total Turkish Exports	Share of Exports to CEE and Baltic Countries in Turkish Exports
1985	7.7	14.4				3.7			34.4	47.0		107.2	7958	1.3
1986	14.9	23.9				12.5			41.0	39.9		132.2	7457	1.8
1987	14.5	27.1				18.1			25.7	48.7		134.1	10190	1.3
1988	28.1	35.3				24.8			77.6	76.0		241.8	11662	2.1
1989	26.7	39.2				24.5			71.4	52.8		214.6	11625	1.8
1990	10.4	64.4				30.6			103.4	83.2		292.0	12959	2.3
1991	76.1	64.1				34.6			141.3	109.4		425.5	13593	3.1
1992	72.2	52.3				27.0			186.3	173.1		510.9	14715	3.5
1993	86.2		58.4	15.7	0.3	37.5	2.9	4.0	234.8	151.7	30.2	621.7	15345	4.1
1994	133.7		62.2	12.8	0.8	58.3	2.1	8.3	249.5	175.3	19.9	723.0	18106	4.0

IMPORTS

	Bulgaria	Czechoslavakia	Czech Rep.	Slovakia	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Slovenya	Total CEE and Baltic Trade	Total Turkish Imports	Share of Imports from CEE and Baltic Countries in Turkish Imports
1985	98.7	39.0				53.6			49.3	63.6		304.2	11343	2.7
1986	41.2	67.3				38.2			127.9	109.6		384.2	11105	3.5
1987	9.4	45.9				70.6			62.5	229.4		417.8	14158	3.0
1988	15.7	27.8				92.9			78.6	197.9		412.9	14335	2.9
1989	3.3	72.1				87.2			98.1	238.5		499.2	15792	3.2
1990	31.9	143.4				110.4			210.3	202.5		698.5	22302	3.1
1991	139.9	155.4				133.6			150.6	198.6		778.1	21047	3.7
1992	224.5	183.7				97.1			86.6	256.1		848.0	22870	3.7
1993	243.2		223.0	21.9	3.4	86.7	2.7	13.8	91.1	300.8	45.9	1032.6	29429	3.5
1994	195.5		94.7	26.4	1.9	55.5	4.4	7.7	69.1	228.9	31.6	715.7	23270	3.1

Source: Foreign Trade Statistics, State Institute of Statistics, Ankara

Table 7: Commodity Composition of Turkish Exports to and Imports from CEE and Baltic Countries during 1994

EXPORTS

	SITC	COMMODITY	Bulgaria	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Slovakia	Slovenia
1	0-08+41+42	Food	29.96	13.49	19.23	9.02	13.97	41.38	2.36	43.36	22.05	20.57
2	1	Beverages and Tobacco	0.26	3.55	0.00	4.96	0.00	0.41	1.20	0.05	1.79	0.00
3	08+22+43	Other Food Items	1.56	0.12	0.00	0.05	0.00	0.71	0.08	1.53	0.00	0.00
4	2-22-27-28	Agricultural Raw Materials	1.14	0.70	0.00	0.24	0.00	0.02	0.37	0.08	0.00	2.65
5	27+28	Crude Fertilizers and Metallic Ferrous Ore	2.66	0.02	0.00	0.28	0.00	0.01	0.40	2.61	0.03	17.09
6	3	Energy	0.11	1.29	0.00	0.00	0.01	0.00	0.00	0.07	0.00	0.00
7	67+68	Iron and Steel and Non-Ferrous Metals	2.18	0.05	0.00	1.06	1.33	0.94	0.01	0.43	16.48	0.00
8	65+84	Textiles and Clothing	8.86	57.96	67.07	47.92	50.33	18.75	80.99	11.20	22.34	38.43
9	61+83+85	Hides and Lather	8.54	9.29	1.63	7.81	3.54	1.81	5.54	0.79	10.66	0.59
10	63+82	Wood Manufactures and Furniture	1.75	0.10	0.00	0.03	2.32	1.04	0.00	0.32	0.06	0.30
11	64	Paper	2.39	0.04	0.00	1.26	0.49	2.26	0.07	1.96	0.09	0.01
12	66	Non-Metalic Mineral Manufactues	5.51	0.28	0.83	1.07	5.71	1.16	0.28	1.11	0.34	0.01
13	5+62	Chemicals and Rubber Products	15.82	4.65	4.15	7.50	4.88	8.83	5.31	13.95	16.23	3.57
14	69	Metal Products	1.77	0.84	0.00	0.29	5.25	3.04	0.35	0.71	0.15	8.40
15	7	Machinery and Transportation Equipment	12.10	2.93	7.09	15.55	9.18	16.97	2.04	17.71	6.95	6.44
16	81+86+89+9	Miscellaneous Manufactured Articles	5.38	4.69	0.00	2.94	3.02	2.68	1.01	4.12	2.82	1.92
		First three sectors with highest shares	1, 13, 15	8, 1, 9	8, 1, 15	8, 15, 1	8, 1, 15	1, 8, 15	8, 9, 13	1, 15, 13	8, 1, 7	8, 1, 5

IMPORTS

	SITC	COMMODITY	Bulgaria	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Slovakia	Slovenia
1	0-08+41+42	Food	3.15	3.65	17.22	16.71	0.00	11.37	1.66	17.48	3.97	9.91
2	1	Beverages and Tobacco	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00
3	08+22+43	Other Food Items	5.33	0.00	0.00	0.33	0.00	0.00	0.01	0.04	0.00	0.02
4	2-22-27-28	Agricultural Raw Materials	9.44	2.93	81.78	2.42	54.77	33.67	5.88	6.22	0.57	0.17
5	27+28	Crude Fertilizers and Metallic Ferrous Ore	0.50	0.02	0.00	0.03	0.00	0.00	9.54	0.40	0.00	0.00
6	3	Energy	14.74	0.00	0.43	0.05	0.00	0.58	19.61	20.03	0.00	0.00
7	67+68	Iron and Steel and Non-Ferrous Metals	34.48	5.99	0.00	7.52	41.65	0.00	1.43	13.99	34.43	20.64
8	65+84	Textiles and Clothing	3.44	2.96	0.00	1.66	0.00	5.59	14.53	5.16	28.73	24.96
9	61+83+85	Hides and Lather	0.38	0.00	0.00	0.36	0.00	0.00	0.03	0.19	0.13	1.82
10	63+82	Wood Manufactures and Furniture	0.22	0.02	0.00	0.14	0.00	0.00	0.00	0.22	0.04	0.16
11	64	Paper	0.26	0.66	0.00	3.88	2.97	0.00	2.26	0.20	1.76	1.36
12	66	Non-Metalic Mineral Manufactues	1.37	2.14	0.00	1.09	0.00	2.10	1.57	2.69	0.87	0.07
13	5+62	Chemicals and Rubber Products	22.24	6.81	0.00	19.76	0.00	0.00	6.64	28.79	7.68	4.75
14	69	Metal Products	0.28	0.50	0.00	2.89	0.00	0.00	0.58	0.51	0.06	1.17
15	7	Machinery and Transportation Equipment	2.78	68.65	0.00	41.31	0.61	43.32	35.57	3.69	21.64	30.92
16	81+86+89+9	Miscellaneous Manufactured Articles	1.37	5.66	0.57	1.83	0.00	3.37	0.67	0.41	0.14	4.04
		First three sectors with highest shares	7, 13, 6	15, 13, 7	4, 1, 16	15, 13, 1	4, 7, 11	15, 4, 1	15, 6, 8	13, 6, 1	7, 8, 15	15, 8, 7

Table 8: Turkish Nominal Protection Rates before and after the Customs Union with EU

I-O CODE	SECTOR NAME	NPR with EU in 1994	NPR with EU After Customs Union	NPR with Third Countries in 1994	Average MFN Tariff Rates after Customs Union	Average Tariff Rates for GSP Beneficiaries after Customs Union
1	Agriculture	41.27	41.26	41.65	41.26	41.26
2	Animal husbandry	3.48	1.37	4.18	1.37	1.37
3	Forestry	0.01	0.01	0.10	0.01	0.01
4	Fishery	47.92	47.84	54.08	47.84	47.84
5	Coal mining	3.33	0.00	3.33	4.00	0.00
6	Crude petroleum	0.00	0.00	0.00	0.00	0.00
7	Iron ore mining	0.00	0.00	2.22	0.00	0.00
8	Other metalic ore mining	0.13	0.00	1.21	0.00	0.00
9	Non-metallic mining	9.09	0.00	11.02	0.95	0.95
10	Stone quarying	1.95	0.00	2.18	0.02	0.00
11	Slaughtering and meat	10.21	10.21	10.21	10.21	10.21
12	Fruits and vegetables	72.49	68.01	72.62	68.01	68.01
13	Vegetable and animal oil	16.31	16.31	16.38	16.29	16.29
14	Grain mill products	41.33	41.02	41.33	41.02	41.02
15	Sugar refining	28.79	28.79	28.79	28.79	28.79
16	Other food processing	26.47	18.31	28.99	18.31	18.31
17	Alcoholic beverages	72.10	5.25	94.28	11.28	7.35
18	Non-alcholic beverages	56.92	0.00	69.81	14.83	0.00
19	Processed tobacco	44.40	0.00	99.91	9.40	0.00
20	Ginning	0.00	0.00	2.22	0.72	0.72
21	Textiles	21.19	0.00	27.10	17.30	7.60
22	Clothing	14.75	0.00	20.65	19.90	9.30
23	Leather and fur production	7.85	0.00	12.57	10.20	2.80
24	Footwear	24.40	0.00	35.70	22.50	9.10
25	Wood products	15.25	0.00	18.97	2.00	0.05
26	Wood furniture	26.22	0.00	32.64	5.50	0.00
27	Paper and paper products	13.59	0.00	17.58	2.70	0.00
28	Printing and publishing	8.23	0.00	10.79	4.52	0.00
29	Fertilizers	8.22	0.00	16.38	8.10	0.00
30	Pharmaceutical production	3.33	0.00	8.99	5.30	0.00
31	Other chemical production	10.79	0.00	17.62	8.71	0.04
32	Petroleum refining	22.54	0.00	24.35	2.70	0.00
33	Petroleum and coal products	5.62	0.00	7.52	2.15	0.00
34	Rubber products	19.57	0.00	23.91	5.60	0.03
35	Plastic products	24.61	0.00	31.68	9.90	0.00
36	Glass and glass production	16.85	0.00	21.94	5.76	0.00
37	Cement	30.45	0.00	32.88	3.14	0.00
38	Non-metallic mineral	18.33	0.00	23.21	5.47	0.00
39	Iron and steel	8.00	0.00	10.70	5.50	3.30
40	Non-ferrous metals	4.52	0.00	8.43	3.20	0.50
41	Fabricated metal products	18.36	0.00	25.29	6.00	0.11
42	Non-electrical machinery	7.36	0.00	12.50	4.40	0.00
43	Agricultural machinery	6.98	0.00	12.18	3.50	0.00
44	Electrical machinery	9.69	0.00	16.64	8.30	0.00
45	Shipbuilding and repairing	6.13	0.00	12.89	0.50	0.00
46	Railroad equipment	0.00	0.00	4.61	4.04	0.00
47	Motor vehicles	27.33	0.00	33.10	9.40	0.00
48	Other transport equipment	0.01	0.00	1.76	1.60	0.00
49	Other manufacturing industries	2.92	0.00	8.19	2.95	0.00
	MEAN	10.22	1.34	22.14	6.92	2.71
	STANDARD DEVIATION	17.68	14.48	15.36	13.79	14.51

Source:

Own calculations for all sectors in columns 1, 2 and 3

NPR's for sectors 21, 22, 23, 24, 39 and 40 in column 4 have been obtained from Laird and Yeats (1990); for sectors 25, 26, 27, 30, 34, 35, 42, 44, 45 and 47 from GATT (1993) ; and own calculations for remaining sectors.

NPR's for sectors 21, 22, 23, 24, 39 and 40 in column 5 have been obtained from Laird and Yeats (1990); own calculations for remaining sectors. own calculations for remaining sectors.

Table 9: Share of Different Country Groups' Imports in Total Turkish Imports (1991-1993 Averages) and Corresponding Turkish NPR's before and after the formation of Customs Union with EU

	Share in Imports	**NPR 1994**	**NPR 2001**
EU Countries	46.02	10.22	1.34
Countries EU has FTA with	7.75	22.14	1.34
GSP Countries	27.54	22.14	2.71
Countries EU applies the MFN Tariffs	18.46	22.14	6.92
Mediterrenean Countries	1.60	22.14	2.71

Table 10: Trade Regimes of the Countries in Transition

	Tariff and Non-Tariff Import Barriers	Export Quotas and other Export Barriers	Exchange Regime
CEE Countries			
Czech Republic	Average weighted tariff 5.7 % in 1993. Quantitative import restrictions on some agricultural products, textiles, clothing, steel and coal; licences for oil , gas and weapons.	20 percent of exports required licensing in 1992. Export tax of 100 % applies only to antiques and art works. Export licensing for livestock and plants, some natural resources, and products such as textiles and steel which are subject to quotas in other countries	Current account convertibility for enterprises, some capital controls. Peg ro DM/USD basket.
Slovak Republic	A 10 % surcharge on imports established in March 1994 was removed in August. Average weighted tariff in 1993 was 5.7 % Quantitative import restrictions on some agricultural products, textiles, clothing, steel and coal; import licenses for oil, gas and weapons.	Export licensing for livestock and plants, some natural resources, and products such as textiles and steel which are subject to quotas in other countries	Current account convertibility for enterprises, some capital controls. Peg to DM/USD basket.
Hungary	About 10 % of imports subject to quota or licensing restrictions, with number increasing in 1994. Average unweighted tariff changed from 13 % (1989) to 11 % (1991) to 16 % (1992); further increase in 1994	Export of fuels, wheat and industrial raw materials subject to licences (a little less than 25 % of exports). 80 % of the agricultural budget in 1993 devoted to export subsidies. In 1992 these amounted to an estimated 13 % of export value	Current account convertibility (except tourism). Some restrictions remain on capital account. Peg to USD/ECU basket.
Poland	Average weighted tariff 11 % on industrial products and 18 % on agricultural products (1993). Most quantitative restrictions eliminated in 1990. Quotas on wheat, cars, alcohol, cigars, cigarettes, engine oil and petrol.	Minimal export restrictions. Most export subsidies were eliminated in 1990.	Largely current account convertibility, limits on resident' capital account transactions. Preannounced crawling peg regime.
Romania	Most licensing requirements eliminated in May 1992. Weighted average tariff 11.7 % (1993). Restrictions only for arms, drugs and items affecting national health. 30 % anti-dumping duty on alcohol, vehicles, TVs and video-recorders imposed between May-Oct. 1993	Export quotas on raw materials for conservation reasons and drugs for price support reasons. Occasional export bans on food, fruits and wood products. Reduced export licensing requirements since June 1993.	Virtual current account convertibility (except tourism), but capital controls. Floating exchange rate.
Bulgaria	Average tariff from 13 % (1989) to 11 % (1991) to 16 % (1992). 22 % average tariff on industrial goods reported in 1994. Minimum prices foı tyres and steel pipes. Restrictive import licences for a limited number of products. Some tariff quotas on processed foods and agricultural products.	Export taxes on 30 items, mainly foodstuffs, have replaced most export quotas. Export quotas on six primary commodities. Occasional export bans on agricultural products. Registration and licensing restrictions still operative.	Few restrictions on current account, heavy controls on capital account. Floating rate.
Former Yugoslavia			
Slovenia	Generally tariff free. Where tariffs are applied rates range up to a maximum of 25 %. Customs formalities tax of 1 %. Some quotas on agricultural and textile products (96 % of products free of quotas).	Temporary export duties of 10-25 % on raw materials. Permit for export of susceptible goods.	Full current account convertibility, some restrictions on capital account. Floating exchange rate.
Baltic Countries			
Estonia	Only 14 % of imports are subject to duties (10 % for furs, sea and road vehicles), average weighted tariff 1.4 % (1993). Licences for alcohol and tobacco. No quantitative restrictions. Import subsidies abolished beginning of 1992.	Minimal export barriers. 100 % export tax on antiques and art works. Quotas removed except for export ban on gravel and specialised clay. Most licensing requirements removed Oct. 1991. No export subsidies.	Full current account, virtual capital account convertibility. Currency board with rate fixed to DM.
Latvia	Basic tariff 15 % (as of March 1994), but many exceptions at 0.5 % (raw materials, food products); some high agricultural tariffs. Import licensing and quotas for military products and tobacco. No import subsidies.	Export taxes on raw materials, precious metals and antiques. Few quantitative restrictions, mostly for health and national security reasons. No export subsidies.	Full current and capital account convertibility. Informal peg to SDR.
Lithuania	Import tariffs 5-15 %; higher for food products, alcohol, tobacco and about a dozen manufactured goods (carying tariffs up to 25 %). No quotas since Oct. 1993 except for health and safety reasons	Some export taxes on raw materials and foodstuffs. No export subsidies. Some quantitative restrictions. Export licensing system abolished in July 1993.	Full current and (virtually) capital account converitbility. Currency board, with rate fixed to USD.

Source: European Bank for Reconstruction and Development, Transition Report, October 1994

Table 11: Importance of Industrial Products in CEE Exports to EU and Pre-Agreement Market Access for Different Industrial Commodity Groups

	Share of Industrial Commodities in Total Exports to EU during 1991	Simple Average Tariff Rate		NTB Coverage Ratio	
		Industrial	Other	Industrial	Other
Bulgaria	73.0	6.9	11.6	22.5	48.3
Czechoslovakia	92.0	7.0	11.7	24.0	52.5
Hungary	73.0	0.1	9.4	24.2	57.7
Poland	81.0	0.1	10.5	23.6	48.6
Romania	94.0	0.0	8.6	28.4	59.8

	Share in Industrial Exports	Simple Average Tariff Rate	NTB Coverage Ratio
Immediate Free Trade Group			
Bulgaria	43.0	5.6	3.6
Czechoslovakia	44.0	5.7	3.8
Hungary	50.0	0.0	3.7
Poland	41.0	0.1	3.8
Romania	32.0	0.0	3.4
Textiles and Clothing Group			
Bulgaria	20.9	10.8	90.6
Czechoslovakia	13.6	10.7	87.6
Hungary	21.4	0.1	85.1
Poland	17.6	0.0	88.8
Romania	28.2	0.1	86.2
The Steel ECSC Sub-Group			
Bulgaria	11.4	5.4	74.6
Czechoslovakia	10.5	5.6	64.4
Hungary	4.2	0.0	58.2
Poland	4.5	0.1	57.4
Romania	3.6	0.0	68.2
The Quota/Five Year Delayed Free Trade Group			
Bulgaria	16.3	8.6	18.8
Czechoslovakia	26.5	8.7	20.6
Hungary	24.3	0.0	21.0
Poland	23.6	0.0	21.7
Romania	31.4	0.0	23.7

Source: Kaminski (1994)

Table 12: Turkish Effective Protection Rates before and After the Customs Union with EU and Sensitive Sectors in the Turkish Economy

I-O CODE	SECTOR NAME	EPR 1994	EPR 2001	Effects of the Customs Union
19	Processed tobacco	159.71	-84.25	-243.96
32	Petroleum refining	180.44	3.75	-176.69
18	Non-alcholic beverages	128.03	-40.69	-168.72
17	Alcoholic beverages	145.43	-13.57	-159.00
26	Wood furniture	62.67	1.67	-61.00
24	Footwear	67.17	15.12	-52.05
35	Plastic products	48.45	2.22	-46.24
37	Cement	46.02	0.65	-45.37
47	Motor vehicles	46.21	1.97	-44.24
25	Wood products	37.28	0.67	-36.61
41	Fabricated metal products	35.90	0.66	-35.24
34	Rubber products	33.95	1.29	-32.66
21	Textiles	28.79	2.68	-26.11
38	Non-metallic mineral	26.79	1.30	-25.49
36	Glass and glass production	25.54	1.26	-24.28
16	Other food processing	29.37	5.33	-24.04
27	Paper and paper products	19.20	-0.04	-19.24
44	Electrical machinery	16.83	1.97	-14.87
29	Fertilizers	13.63	1.78	-11.85
31	Other chemical production	12.61	1.45	-11.16
23	Leather and fur production	10.73	0.43	-10.30
9	Non-metallic mining	9.91	0.47	-9.45
39	Iron and steel	11.10	2.88	-8.22
42	Non-electrical machinery	8.37	0.45	-7.92
45	Shipbuilding and repairing	6.51	-0.83	-7.34
43	Agricultural machinery	6.82	0.03	-6.79
12	Fruits and vegetables	291.43	285.80	-5.63
40	Non-ferrous metals	6.11	0.85	-5.27
30	Pharmaceutical production	4.52	0.50	-4.02
28	Printing and publishing	4.42	1.04	-3.39
2	Animal husbandry	-18.61	-21.65	-3.04
49	Other manufacturing industries	1.91	-0.04	-1.95
20	Ginning	-138.12	-139.98	-1.86
5	Coal mining	1.81	0.71	-1.10
10	Stone quarying	0.29	-0.09	-0.37
3	Forestry	-0.28	-0.01	0.26
6	Crude petroleum	-0.78	-0.06	0.72
46	Railroad equipment	-0.21	0.57	0.78
48	Other transport equipment	-0.84	0.23	1.07
1	Agriculture	44.41	45.60	1.19
4	Fishery	56.58	58.10	1.52
8	Other metalic ore mining	-1.68	-0.13	1.54
13	Vegetable and animal oil	6.62	8.76	2.14
7	Iron ore mining	-2.74	-0.21	2.53
11	Slaughtering and meat	16.82	21.36	4.55
33	Petroleum and coal products	-6.14	0.08	6.23
22	Clothing	7.44	17.35	9.91
15	Sugar refining	-54.25	-35.98	18.27
14	Grain mill products	281.46	301.45	19.99
	MEAN	18.44	1.12	
	STANDARD DEVIATION	72.32	65.39	

Source: Own Calculations

Table 13: Actual and Potential Trade between EU, CEE and Baltic Countries and Turkey during 1992

Country	Actual Exports from Turkey (US$ million)	Potential Exports from Turkey (US$ million)	Ratio of Potential to Actual Exports	Actual Imports into Turkey (US$ million)	Potential Imports into Turkey (US$ million)	Ratio of Potential to Actual Exports
Bulgaria	86.22	235.23	2.73	243.24	178.98	0.74
Czech Republic	58.45	134.01	2.29	222.99	150.13	0.67
Estonia	0.30	20.58	69.29	3.44	24.29	7.07
Hungary	37.51	196.40	5.24	86.68	248.35	2.87
Latvia	2.89	29.45	10.18	2.75	27.93	10.16
Lithuania	3.95	35.25	8.92	13.82	26.31	1.90
Poland	234.80	342.83	1.46	91.10	333.48	3.66
Romania	151.65	408.19	2.69	300.78	283.59	0.94
Slovak Republic	15.74	82.46	5.24	21.91	78.87	3.60
Slovenia	30.21	70.54	2.34	45.88	143.79	3.13
	621.72	1554.94	2.50	1032.57	1495.72	1.45

Note: The actual trade figures refer to the year 1993

Table 14: Previous EC Enlargements

	UK	Ireland	Denmark	Greece	Spain	Portugal	Austria	Finland	Sweden
Democracy Restored				1974	1977	1974			
EC Accession	1973	1973	1973	1981	1986	1986	1995	1995	1995
Per Capita Income at Accession									
% of EC Average	82.0	53.5	122.9	40.7	49.5	22.8	118.6	97.3	127.4
% of poorest EC Member	113.4	74.1	170.2	75.7	133.5	61.4	312.9	256.7	336.0
Population at Accession									
% of EC Total at Accession	26.9	1.5	2.4	3.5	13.3	3.5	2.3	1.5	2.5
Share of Agricultural VA in GDP at Accession	3.0	18.3	7.1	16.1	5.6	7.4	2.7	2.4	0.6

Table 15: Basic Data on Actual and Potential Applicants for Membership in EU

	Bulgaria	Czech R.	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Slovak R.	Slovenia	Turkey
Democracy Restored	1990	1990	1992	1990	1993	1992	1990	1990	1990	1992	1983
Per Capita Income relative to EU income in 1993											
% of EC Average	5.8	13.7	15.6	16.9	10.2	6.7	11.4	5.8	9.9	32.8	11.0
% of poorest EC Member	15.4	36.7	41.7	45.3	27.2	17.9	30.6	15.4	26.4	87.8	29.6
Per Capita PPP Income relative to PPP EU income in 1993											
% of EC Average	24.4	44.9	38.7	36.0	29.8	18.5	29.8	16.7	37.4		23.3
% of poorest EC Member	45.6	83.9	72.2	67.2	55.7	34.6	55.6	31.1	69.9		43.6
Population relative to EU population in 1993											
% of EC Total	2.3	2.8	0.4	2.8	0.7	1.0	10.4	6.2	1.5	0.5	16.1
Share of Agricultural VA in GDP during 1993 (%)	13.2	5.5	15.2	8.2	15.0	24.8	7.4	21.6	6.6	5.0	15.4
Share of Agricultural Labor in Total Civilian Employment (%)	17.4	6.5	15.4	8.1	18.4	19.0	26.9	32.2	10.3		42.8

Table 16: Expected Developments in CEE, Baltic Countries' and Turkey's Per Capita GNP

	Per Capita Income	Assumed Annual Growth of GNP	Assumed Annual Growth of Population	YEARS ELAPSED 5	10	15	20	25
PESSIMISTIC SCENARIO								
CEE Countries								
Czech Republic	2710	3.0	0.2	36.49	36.32	36.14	35.97	35.79
Slovak Repulic	1950	3.0	0.6	26.26	26.13	26.01	25.88	25.75
Hungary	3350	3.0	-0.4	45.11	44.89	44.68	44.46	44.25
Poland	2260	3.0	0.2	30.43	30.29	30.14	29.99	29.85
Romania	1140	3.0	0.0	15.35	15.28	15.20	15.13	15.06
Bulgaria	1140	3.0	-0.4	15.35	15.28	15.20	15.13	15.06
Baltic Countries								
Estonia	3080	3.0	-0.3	41.48	41.28	41.08	40.88	40.68
Latvia	2010	3.0	-0.4	27.07	26.94	26.81	26.68	26.55
Lithuania	1320	3.0	0.0	17.78	17.69	17.60	17.52	17.43
Slovenia	6490	3.0	0.1	87.40	86.97	86.55	86.13	85.72
Turkey	2184	4.4	1.9	31.46	33.50	35.66	37.97	40.43
Greece	7390	3.1	0.5					
PROBABLE CASE								
CEE Countries								
Czech Republic	2710	5.0	0.2	40.18	44.02	48.23	52.84	57.89
Slovak Repulic	1950	5.0	0.6	28.91	31.67	34.70	38.02	41.65
Hungary	3350	5.0	-0.4	49.67	54.41	59.62	65.32	71.56
Poland	2260	5.0	0.2	33.51	36.71	40.22	44.06	48.28
Romania	1140	5.0	0.0	16.90	18.52	20.29	22.23	24.35
Bulgaria	1140	5.0	-0.4	16.90	18.52	20.29	22.23	24.35
Baltic Countries								
Estonia	3080	5.0	-0.3	45.66	50.03	54.81	60.05	65.79
Latvia	2010	5.0	-0.4	29.80	32.65	35.77	39.19	42.94
Lithuania	1320	5.0	0.0	19.57	21.44	23.49	25.74	28.20
Slovenia	6490	5.0	0.1	96.22	105.42	115.49	126.54	138.63
Turkey	2184	5.4	1.9	33.00	36.85	41.15	45.95	51.30
OPTIMISTIC SCENARIO								
CEE Countries								
Czech Republic	2710	6.0	0.2	42.13	48.39	55.59	63.87	73.37
Slovak Repulic	1950	6.0	0.6	30.31	34.82	40.00	45.96	52.79
Hungary	3350	6.0	-0.4	52.08	59.82	68.72	78.95	90.69
Poland	2260	6.0	0.2	35.13	40.36	46.36	53.26	61.18
Romania	1140	6.0	0.0	17.72	20.36	23.39	26.87	30.86
Bulgaria	1140	6.0	-0.4	17.72	20.36	23.39	26.87	30.86
Baltic Countries								
Estonia	3080	6.0	-0.3	47.88	55.00	63.19	72.59	83.38
Latvia	2010	6.0	-0.4	31.25	35.89	41.23	47.37	54.42
Lithuania	1320	6.0	0.0	20.52	23.57	27.08	31.11	35.74
Slovenia	6490	6.0	0.1	100.89	115.90	133.14	152.95	175.70
Turkey	2184	7.0	1.9	35.58	42.84	51.58	62.10	74.77

Table 17: Total Budget Cost of EU Membership (billion US $)

	Czech Republic	2.50
	Hungary	2.88
	Slovenia	0.25
Sub-Total		5.63
	Poland	8.13
Sub-Total		13.75
	Estonia	0.75
	Latvia	1.50
	Lithuania	1.75
Sub-Total		17.75
	Bulgaria	2.88
	Romania	11.63
	Slovak Republic	1.13
Sub-Total		33.38

Appendix

Classification Scheme for Revised SITC, Revision 2

SITC	COMMODITY
	Food and Live Animals Chiefly for Food
00	Live-Animals chiefly for Food
01	Meat and Meat Preparations
02	Dairy Producs
03	Fish and Fish Preparations
04	Cereals and Cereal Preparations
05	Vegetables and Fruit
06	Sugar and Sugar Preparations
07	Coffe, Tea, Cocoa, Spices
08	Freeding Stuff for Animals
09	Miscellaneous Edible Products
	Beverages and Tobacco
11	Beverages
12	Tobacco and Tobacco Manufactures
	Crude Materials, Inedible, Except Fuels
21	Hides, Skins and Furskins, Raw
22	Oil Seeds and Oleaginous Friut
23	Crude Rubber
24	Cork and Wood
25	Pulp and Waste Paper
26	Textile Fibres and their Wastes
27	Crude Fertilizers and Crude Minerals
28	Metalliferous Ores and Metal Scrap
29	Crude Animal and Vegetable Metarials
	Mineral Fuels, Lubricans and Related Materials
32	Coal
33	Petroleum and Petroleum Products
34	Gas, Natural and Manufactured
35	Electric Current
	Animal and Vegetable Oils, Fats and Waxes
41	Animal Oils and Fats
42	Fixed Vegetable Oils and Fats
43	Animal and Vegetable Oils and Fats, Proc.
	Chemicals and Related Products
51	Organic Chemicals
52	Inorganic Chemicals
53	Dyeing, Tanning, and Colouring Materials
54	Medicinal and Pharmaceutical Products
55	Essential Oils and Perfume Materials
56	Fertilizers, manufactured
57	Explosives
58	Plastic Metarials
59	Chemical Meterials and Products, N.E.S.

SITC	COMMODITY
	Manufactured Goods Classified Chiefly by Material
61	Leather Manufactures
62	Rubber Manufactures
63	Cork and Wood Manufactures
64	Paper
65	Textiles
66	Non-metallic Mineral Manufactures
67	Iron and Steel
68	Non-ferrous Metals
69	Manufactures of Metal
	Machinery and Transport Equipment
71	Power Generating Machinery and Equipment
72	Machinery specialized for particular industries
73	Metalworking Machinery
74	General industrial machinery and equipment
75	Office Machines
76	Telecommunications appartus
77	Electrical Machinery
78	Road vehicles
79	Other transport equipment
	Miscellaneous Manufactured Articles
81	Sanitary, Plumbing, Heating
82	Furniture
83	Travel Goods
84	Clothing
85	Footwear
87	Scientific Instruments and Optical Goods
88	Photographic apparatus and optical goods
89	Miscellaneous Manufactured Articles
	Commodities and transactions not classified elsewhere in the SITC
91	Postal packages
93	Special transactions
94	Animals, live
95	Armoured fighting vehicles
96	Coin
97	Gold, non monetary

LIST OF ABBREVIATIONS

CEE	Central and Eastern European
CU	Customs Union
CUA	Customs Union Agreement
EAs	Europe Agreements
EC	European Community
ECSC	European Coal and Steel Community
EFTA	European Free Trade Association
MFN	Most Favoured Nation
QR	Quantitative Restrictions

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